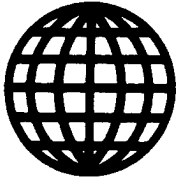


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# ***JPRS Report***

## **East Europe**

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# East Europe

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## CZECHOSLOVAKIA

### Vatican Not Successful in Negotiations With Jakes Regime

29000001 Paris *LE MONDE* in French 5 Feb 88 p 4

[Article by Waltraud Barylí]

[Text] Some two hundred thousand Czechs and Slovaks have signed a petition favoring religious freedom in their country, in a drive that has become a veritable popular referendum unprecedented in a communist country. The drive coincided with negotiations last week between a Vatican delegation and Prague officials, concerning, notably, the nomination of new occupants for vacant diocesan posts. These conversations should be resumed "in the near future" in Rome.

The petition in question demands an end to state interference in religious affairs and to all discriminatory measures against believers. Cardinal Frantisek Tomasek, archbishop of Prague and Primate of Bohemia, nearly 89 years old, has encouraged the drive and signed the petition himself. Having intervened several times with authorities to demand respect for religious freedom, he declared before a delegation of Slovak clergy: "If the cardinal is unsuccessful in making himself heard—and mine is only a single voice—you, priests and faithful, must raise your voices."

The authors of the petition are demanding in particular non-interference by the state in selecting seminarians (there are two seminaries in Bratislava and Litomerice), the re-opening of a theology department in Olomouc, acceptance of religious orders, freedom to teach and practice religion, authorization to participate in pilgrimages abroad and unrestricted distribution of religious books.

### Three Dioceses Out of 13

The question underlying this petition—separation of church and state—was the chief object of negotiations conducted in Prague by the Vatican delegation headed by Mgr Francesco Colasuonno, apostolic nuncio and the Pope's itinerant ambassador in Eastern-block countries. The monsignor had interviews with Mr Vladimir Janku, vice-minister of religious affairs. For 15 years, the Vatican has been trying in vain to name new bishops in Czechoslovakia. Prague insists on its right to exercise control over decisions of the Holy See and has always sought to impose candidates with close ties to the regime—moves which were rejected by the Vatican.

The last nomination of a bishop in Czechoslovakia took place in 1973. After the deaths of the bishops of Trnava and Olomouc at the end of last year, only three of the country's 13 dioceses are administered by bishops, two of whom, Jan Pasztor (Nitra) and Josef Feranec (Banska

Bystrica), named in 1973 by Paul VI, enjoy the favors of the regime. Cardinal Tomasek is alone in having always steadfastly refused to make the slightest concession to the Communist regime.

The administrative duties of the seven bishops have been given to capitulary vicars accepted by the authorities, but not recognized by the Vatican. The nomination of a successor to the Olomouc bishop, Josef Vrana, alerted diocesan priests, who protested to the Vatican—successfully, according to informed sources—against the possible nomination of Frantisek Vymetal, president of the Pacem in Terris movement, which has close ties to the regime. The latter was elected diocesan administrator after the death of Mgr Vrana, but the election was not recognized by the Vatican.

As for the vacant diocese of Trnava (Slovakia), the authorities have refused to recognize the clergy's election of Jan Sokol, a priest in Sered, to succeed Mgr Julius Gabris. Following a new election, the Vicar-general Cizik took over in Trnava. Mgr Colasuonno traveled to Slovakia during his stay in Czechoslovakia to gather information in Trnava itself.

In May 1982, Pope John Paul II published a decree, *Quidam episcopi*, prohibiting the Catholic clergy from belonging to political organizations. At the request of Cardinal Tomasek, the Congregation for the Faith confirmed that the Pacem in Terris organization is affected by this decree.

According to sources close to the Church in Prague, the results of Mgr Colasuonno's negotiations were not satisfactory to the Vatican—on the contrary, positions are said to have hardened again. The government cannot, however, ignore the fact that the Church's position has grown stronger these last few years in Czechoslovakia. If the regime continues to refuse to come to terms with the Vatican, particularly concerning the nomination of new bishops recognized by the faithful, a veritable "Church of the Catacombs"—as I write, there are bishops ordained clandestinely—may arise in the country.

09825

## POLAND

### Press, Personnel Changes, Media Developments November 1987

26000186a Warsaw *PRASA POLSKA* in Polish No 1, Jan 88 pp 56-60

[Unattributed article: "Chronicle"]

[Excerpts]

1 Nov

—Zbigniew Ramotowski was appointed deputy editor-in-chief of *ZYCIE WARSZAWY*.

3 Nov

—At the Warsaw House of the Journalist the SD PRL [Journalists Union of the Polish People's Republic] Foreign Reporters Club organized a meeting with Vice Speaker of the Sejm Mieczyslaw F. Rakowski on the topic: "Development of Democracy as a Condition for the Efficacy of the Reform."

3-4 Nov

—The Poznan SD PRL Club for Construction Problems organized a session on the activities of construction artisans and labor cooperatives engaging in construction. In many small towns they are the sole building contractors and among the suppliers of building materials.

On the first day the principal difficulties and problems of the artisans and the obstacles to the expansion of their services to the public were considered. An artisan shop in Gruszczyn that produces building materials for one-family homes and farm buildings was toured. Next, at the Poznan Chamber of Artisans, the journalists were enabled to discuss problems of the underdevelopment of the building trades with representatives of the Central Union of Artisans and a group of Poznan artisans.

The following day the ANNA Crafts and Construction Cooperative in Jablonna, the sole building contractor in that gmina, was toured. Using that cooperative as an example, problems of developing this form of support for local construction were discussed jointly with the heads of the Central Union of Construction Cooperatives. (az)

3-5 Nov

—In Kalisz was held the Fifth National Encounter of Regional Reporters. It was devoted to analyzing party publicistics in the last 5 years and the situation of PZPR weeklies on the press market. (It is described separately in this issue by Wieslaw Wisniewski.)

4 Nov

—At the Warsaw House of the Journalist the SD PRL Club for Youth Affairs organized a meeting to discuss the findings of the polls conducted by the Institute for Research Into Youth Problems concerning the sociopolitical awareness of the members of four youth organizations.

5 Nov

—At the UNITRA-CEMAT Science-Production Center for Electronic Materials in Warsaw the SD PRL Club of Science Reporters held a meeting with Minister of Industry Jerzy Bilip.

6 Nov

—At the Warsaw House of the Journalist the SD PRL Club of Sociological and Law Reporters held a meeting with representatives of the Supreme Administrative Court (NSA) and the Union of Fighters for Freedom and Democracy (ZBoWiD). The meeting was intended to elucidate the reasons for the disturbingly great increase in the number of complaints filed with the NSA about the negative decisions by the ZBoWiD on matters within its competence. The problems emerging in the course of the implementation of the Decree of 26 May 1982 on Special Prerogatives of War Veterans were discussed. (b)

10 Nov

—Deputy Prime Minister Jozef Koziol received Chairman of the SD PRL Main Board Editor Artur Howzan. The meeting was attended by Director of the Office of the Council of Ministers Division General Michal Janiszewski. The most urgent problems of the journalist community were discussed, especially problems of the facilities available to press, radio, and television reporters. Much attention was devoted to the program for implementing the resolution of the Second Congress of the SD PRL and the participation of reporters in explaining aspects of the [price-increase] referendum and implementation of the second stage of the economic reform, as discussed by Editor A. Howzan.

—At the Warsaw House of the Journalist was held the second plenary session of the Supreme Court of the Journalist Community (NSD).

A report on the activities of the NSD Presidium during the period between the first and second sessions of the NSD was presented.

The territorial scope of competences of journalist community courts was determined, as was the timetable for setting them up.

A plan for training judges and disciplinary spokespersons was discussed and approved.

The Implementing Regulations for the bylaws of the court system of the journalist community were confirmed.

The rules for the transmission of information by local journalist community courts to the Supreme Court of the Journalist Community were discussed.

The draft summary of the NSD Resolution of 15 November 1983 on the Combining of Offices Within the SD PRL was discussed and passed.

11 Nov

—At the Warsaw House of the Journalist the SD PRL Club of Science Reporters organized a meeting with Deputy Prime Minister Zbigniew Szalajda on the role of science and technology in reforming the economy.

12 Nov

—At the Warsaw House of the Journalist the SD PRL Polish Club for International Publicists organized a meeting with Sejm Speaker Roman Malinowski on the Sejm's international activities. R. Malinowski also reported on the plans of activity of discrete Sejm commissions for the immediate future on the international and national forums.

—In Warsaw the SD PRL "Friendship" Club of Reporters and the Warsaw Office of the [Soviet] Novosti Press Agency held a symposium of Polish and Soviet reporters on the forms and methods of refining the presentation of aspects of the Soviet perestroika and the Polish reform in the mass media of both countries.

—The Program Council under the Committee for Radio and Television has resumed its activities upon expanding its membership. The newly appointed members include the journalists Artur Howzan (PRZEGLAD TYGODNIOWY, chairman of the SD PRL), Mieczyslaw Krajewski (LITERATURA), and Krzysztof Teodor Toeplitz (POLITYKA).

14 Nov

—Henryk Chadzynski was appointed Moscow correspondent of ZYCIE WARSZAWY.

16-17 Nov

—The SD PRL Club of Military and Defense Reporters held a session on the premises of two WOW [Warsaw Military District] garrison units. The session included a meeting with Quartermaster and Deputy WOW Commander Brigade General Marian Wroblewski and a tour of an army-operated farm and a center for the training of fire fighting experts. The work of the WOW's construction services and activities relating to environmental protection were examined.

18 Nov

—At the Warsaw House of the Journalist the SD PRL Club for Environmental Protection organized a session devoted to hunting activities as related to the environmental pollution. The club hosted Engineer Janusz Sikorski, chief hunting inspector at the Ministry of Agriculture, Forestry, and Food Industry.

—At the Warsaw House of the Journalist the SD PRL Polonia Club organized a meeting on studies of aspects of the life of Poles in socialist countries. The club hosted academics from the Polonia Center for Culture and

Education of the Maria Cure-Sklodowska University in Lublin: Dr Wladyslaw Kucharski, Dr Albin Koprukowniak, Dr Malgorzata Willaume, and Dr Mieczyslaw Wieliczko.

21 Nov

—At the Palace of the Primate in Warsaw the Wlodzimirz Pietrzak Award, granted annually for the last 40 years by the PAX Association, was conferred on Catholic academics and writers contributing to Polish culture. The journalistic award was received by Tadeusz Pioro for his creative interpretation of international policy, with special consideration of disarmament problems.

The winners of a special award include the weekly ZORZA, which has distinguished itself during its 30 years of activities promoting the cause of the church in Poland and popularizing the ideas of the progressive social movement PAX.

24 Nov

—Andrzej Bajorek was recalled from the post of the Moscow correspondent of ZYCIE WARSZAWY.

25 Nov

—At the Warsaw House of the Journalist the SD PRL Club of Sociological and Law Reporters organized discussion of the basic directions of the reform of penal law. The club hosted Professor Dr Kazimierz Buchala, chairman of the Commission for the Reform of Penal Law. The discussion corroborated the purpose of the reform: the humanization and liberalization of regulations while at the same time protecting the society and the state by means of adequate penal-law safeguards. (jb)

26 Nov

—At the Warsaw House of the Journalist the Second Plenum of the SD PRL Main Board was held. (Materials on this plenum are published on previous pages of this issue.)

—At the Warsaw House of Soviet Science and Culture the SD PRL "Friendship" Club of Publicists organized a meeting on the ideological diversionary activities and the information war being waged by certain Western centers during the period of changes occurring in the Soviet Union. During the meeting internal problems linked to the restructuring of sociopolitical life in the USSR also were discussed, as were the prospects for East-West relations. The questions were answered by: Prof Anatoliy Brusov of the Diplomatic Academy in Moscow, Docent Lev Krylov of the Moscow Higher Party School, and the writer Vladimir Soloukhin.

26-27 Nov

—At Swinoujscie the SD PRL Club of Maritime Reporters organized a session on the problems of Polish Baltic Sea Navigation Company (PZB) during the second stage of the economic reform: the proposals for new solutions in ferry operations and sea tourism; the assumptions for renewing the ferry and freighter tonnage of the PZB; and the modernization of the ferry base in Swinoujscie. The second day of the session was devoted to reports on the activities of the TRANSOCEAN Enterprise and the RYBEX Company.

27 Nov

—At the Powazki Cemetery was held the funeral of Julia Minc, an activist of the Polish and international worker movement and co-founder and editor-in-chief of the Polish Press Agency until 1954.

—In Warsaw, on the occasion of the anniversary of the proclamation of the MPR, the Ambassador of the Mongolian People's Republic U. Khoydzilsuren received a delegation of the Board of the SD PRL "Friendship" Club of Publicists. He familiarized the journalists with the 63-year history of the MPR and the economic situation of that country. The delegation's members described the achievements and aims of the "Friendship" Club.

30 Nov

—Jerzy Wolkowycki was recalled from the post of editor-in-chief of NIWY.

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### **Marching Away From State Control: Historic Context, Present Need**

26000198 Warsaw PRZEGLAD POWSZECHNY in Polish No 1, Jan 88 pp 73-82

[Article by Dariusz Filar: "The Departure of the Etatists"]

[Text]

### **The Shrinking State**

The lecture delivered in the spring of 1987 at Gdansk University by Professor Teruji Suzuki of Japan contained the following passage: "The world often asks about the reasons for the economic successes of my country. I personally believe that the principal reason is the properly determined extent of [the domain of] the state. Ever since the railroad system was reprivatized, the share of ownership by the state in the Japanese economy fell to about one percent. This precisely is the proportion that fully meets the needs of the present times."

The shrinkage of the domain occupied by the state is occurring nowadays not only in the Far East and not only in the economic field. In Great Britain the government has sold shares in its corporations to thousands of small private shareholders. In France the previously state-owned television system has passed into private hands. In the United States it is increasingly said that the state has failed in the struggle against poverty and for common prosperity and therefore it would be better for it to be replaced in this task by private charities. The latter have, besides, already entered upon the stage of a veritable rebirth. According to J. C. Goodman and M. Stroup of the National Center for Policy Analysis in Dallas, "The private sector of charitable activities is playing an increasingly important role. In 1984 private charitable contributions reached US\$74 billion, of which as much as 83 percent originated from donations by individual citizens rather than by companies or institutions. More than 85 percent of the adult American population donate money for charitable purposes, and nearly one-half (47 percent) also donates its time—on the average 3 hours weekly per person—to volunteer social assistance work; the financial value of these volunteer activities can be estimated at US\$65 billion, at least. If we thus sum up the value of the volunteer work and the financial donations, it turns out that charitable contributions by the private sector exceed the expenditures on the fight against poverty by the Federal Government, state governments, and local governments, taken together."

In many countries no one is any longer surprised when parents—associated in committees independent of the state—themselves organize schools for their children and all sorts of citizens' movements implement self-imposed tasks concerning health protection or environmental protection, or when even such municipal services as garbage removal and treatment of liquid wastes are beginning to operate on the principles of private enterprise. Of course, all this is linked to letting the society keep the money previously taken from it by the state treasury in the form of taxes.

The process of the accelerated assumption by various citizens' coalitions of tasks which may have seemed to inviolably belong in the domain of state administration has been clearly apparent throughout the world ever since at least the early 1980s. Even earlier, in the 1970s, it had been presaged by refusals to finance measures by the state, which society felt to have broadened its reach excessively; at the time, there had occurred taxpayer strikes in Ireland and Italy, and an anti-taxation party was even formed in Denmark. And yet, in earlier times, between the late 1920s and until the early 1970s, the growth of the state's functions had not elicited any major doubts. The public had been letting the state take decisions on its behalf and resolve many issues on its behalf, and it had been paying taxes without grumbling and willingly availed itself of the state's social services. For nearly half a century etatism had been burgeoning

throughout the world. Why is it that nowadays it must inevitably—and throughout the world—take its departure?

### Two Etatismes

In the 1930s the foundations of two basic forms of etatism—the pragmatic etatism of the West and the ideological etatism of the East—had become consolidated throughout the world. The civilizational challenge they are facing in the last 10 or 15 years is the same, but the differences in their sources, development, and ultimate effects are such that the manner in which this challenge is confronted cannot be the same for both. De-etatization, like etatism, exists in two forms.

The etatism of the West is a child of the Depression of the late 1920s and early 1930s. The principal rule to be respected in the game between society and the state in the West is the rights of the individual, his freedom in the domain of politics, economy, and culture. And yet it was precisely during the ending of the second and beginning of the third decades in century that individuals—despite all their possibilities and [rights] safeguards—ceased to cope with the fabric of reality and underwent bankruptcies, leaped from skyscraper windows onto the pavements of Manhattan, and experienced all that has been described by Steinbeck in "Grapes of Wrath." The Depression shook the system and, although the fundamental rule of the game was in principle preserved, the state had encroached upon new domains. As early as in 1926 John Maynard Keynes had published the article, "The End of Laissez Faire," in which he conditioned the retention of efficiency and potential for development by the economy on its subordination to **wise management**. By the state, of course. The state was to suggest proper measures to entrepreneurs, shift the labor force toward appropriate occupations, and orchestrate restoring the lost harmony. The year 1933 brought to the United States the "New Deal" of President Roosevelt, and 10 years later the Beveridge Plan was announced in Britain, and upon the ending of World War II the state launched a great economic and social offensive. It not only tried to motivate entrepreneurs but also itself became, through the expansion of the public sector, an entrepreneur. It not only tried to improve popular welfare by reducing unemployment but also concentrated in its hands nearly the entirety of the funds used to defray entitlements: for the unemployed, pensioners, the incapacitated, and the poor. Operating jointly with the entitlement funds and taxes, the state began to shape its own vision of social justice. It subordinated to itself a considerable part of the institutions caring for the health of the society, broadened its control of education and scientific research, and enjoyed the taste of being the most important patron of culture. Were the Western game between citizens and the state to be conceived as a shoving match, it can be seen that in many domains the state eliminated and supplanted civic initiatives, invaded regions in which it had previously been absent, and fortified the bridgeheads it had won.

Did not the state do it all in the interest of citizens? Undoubtedly yes, but not exclusively. Like any other bureaucracy, at a certain moment it had to begin to guide itself by its own internal needs and desire to expand its empire and scope of influence as ends in themselves. And it was precisely the belief that the aims of the state had become ends in themselves, combined with the ever rising cost of operating the government, that had provided the momentum for a change in the attitude of the society. This as well as the changing technologies which open completely new prospects and the marked rise in the average level of education, triggered the socioeconomic offensive launched by citizens, an offensive whose spectacular successes we are witnessing nowadays. Private undertakings by individuals and groups are proving to be more effective and cheaper than alternative solutions provided by the state, and all those who had until quite recently viewed "state capitalism" as the sole possible evolutionary direction of the West have to revise their views: "citizens' capitalism" is rearing its head above the conquered etatism.

As for the etatism of the East, it is a child of ideology. Here, the principal rule of the game between the state and the society was to be the class interest of the proletariat, derived precisely from ideology. V. I. Lenin declared that the state is the organ of class rule and at the same time added that people are divided into the ruled and specialists at ruling, i.e., those who rise above the society and are termed rulers, representatives of the state. This apparatus, this group of people, which rules the others, always takes in its hands a specific apparatus of coercion. Superposed on this view was I. V. Stalin's belief that the dictatorship of the proletariat is characterized by utilizing the power of the state to smother exploiters and that the capitalist elements being dislodged by the growth of socialism and losing the ground under their feet do not cease to resist but, on the contrary, grasp at the most acute means and forms of struggle; during the period of transition from capitalism to socialism the class struggle is not declining but on the contrary becoming exacerbated. And since the mid-1920s the state in the East, hunting out more or less imaginary agents of exploiters (the years 1935-1937) gradually subjected all domains of life to total control, became virtually the sole owner and administrator of means of production and the exclusive dispenser of all benefits, and occupied the position of final arbiter in matters of culture and art. As control by the state grew and expanded, the interests by which the state guided itself increasingly turned out to be the personal interests of its apparatus, the interests of the "specialists at ruling." Were the Eastern game between the society and the state to be visualized as a wrestling match, it can be seen that, in nearly every domain, the state clamped the masses in the so-called Double Nelson grip.

It is only the present-day reforms by Mikhail Gorbachev—and his dramatic attempts to rein in the omnipotence and reduce the numbers (reaching hundreds of thousands and even millions) of government officials



and at the same time to awaken society's will for creative action, that represent the first major offensive against an etatism on rampage. In this connection, the fact that this is, of necessity, an offensive from the top has to be considered significant. Why did it happen at all? At least two reasons can be indicated. First, etatism in its extreme version proved to be unusually costly, not only in the dimension of spiritual values but also and above all in economic terms. The moment has arrived at which the state's control of the entirety of social and economic life ultimately obstructed the possibilities for development. The current reforms are primarily intended to eliminate this obstruction. The other reason is to be sought in the abovementioned processes of the decline of etatism in the West. Just as in the 1930s and 1940s the etatism of the East had undoubtedly contributed to a strengthening of etatist tendencies in the West, so now the avalanche-like decline in the etatization of the West is influencing the attempts to de-etatize the East. The shrinking of the state and the growing field for initiative by citizens are increasingly becoming a phenomenon that transcends the differences in systems of society, a phenomenon ensuing from civilizational changes in our times and reflecting these changes.

#### De-Etatization Polish Style

The surge of the etatization of reality that had reached Poland around 1948 was followed by periods of ebb and tide. Having grown in the first half of the 1950s (first the notorious "battle for trade," then the 6-Year Plan) it declined somewhat—without retreating, however—after October [1956, workers' bread riots in Poznan]. During the subsequent 15 or so years, until the end of the 1960s, the state had not in principle undertaken any decisive attempts to expand its control over the society: "small-scale stabilization" had reigned in that domain, too. A resurgence of etatism was brought by the 1970s. At a time when elsewhere processes of de-etatization had already been sprouting, in Poland the state, and especially its central agencies, began to strengthen its presence in the economy and social life. The increase in outlays on the economy from the central state budget (21.4 percent of gross national income in 1970 and as much as 33.8 percent in 1980), the elimination of local industry and the transfer of its enterprises to state key industry, the increase in the numbers of enterprise associations directly subordinated to subsector ministries, the final de facto nationalization of cooperatives, the inclusion of private farmers in the old-age pension plan in return for transfer of their land to the state, the integration of the youth movement, and the broadening of control over artistic activity—all these were elements of the second etatist expansion in postwar Polish history.

The growing omnipresence of the state was bound to influence social awareness and, as a consequence, cause a significant paradox. When the policies of the 1970s culminated in the social protest of August [1980, the rise of Solidarity], a large part of the strikers' demands—

universal wage increases, expansion and equalization of social security, and a shorter work week—signified de facto that it was precisely the state that was expected to attend to these matters. It may be said that in 1980 a substantial segment of the society had still believed in the state and assumed that, under certain conditions, the state could be simultaneously omnipotent, effective, and just, without realizing fully that it was the very proliferation of the functions of the state that had harbored the root cause of the disaster. The postulate of establishing independent and self-governing trade unions represented, against this background, the first turnabout of social awareness in the direction of solutions in which much more would depend on grassroots groups of citizens and on individuals.

The emphasis on the primacy of the society rather than that of the state was tremendously accelerated in 1981 and the then commenced evolution of views and postures still lasts to this very day. Although numerous reports point to the frustration and impotence felt by Poles in recent years, it is equally possible to point to manifestations of energy, optimism, and progress in closely defined direction during these years. This may include the fact that nearly half a million persons (including 200,000 with higher education) have taken the bold decision to commence economic activity on their own behalf and at their own risk [i.e., to engage in private enterprise]. Noteworthy is the growth of citizens' anti-alcohol and anti-drug abuse movements, the rise of various forms of self-help (parents of children with celiaca, diabetes, the elderly), and major church-supported projects such as the construction of the Home of the Solitary Mother in Matemblewo or the organization of shelters for the homeless. It would be difficult to overlook the growing number of independent initiatives serving to promote exchange of ideas, and of centers for artistic training and artistic life. All these actions are contributing to the gradual overcoming of the state's monopoly over shaping the socioeconomic reality in this country and laying the foundations for solutions which may become common in the future.

In face of the changes occurring in the society, the state's posture seems rather ambivalent. On the one hand, it is being said with increasing openness and quite officially that the institutions of the state have proved themselves incapable of satisfying the needs of the society, that the centralization of the essentially etatist system is the main brake to social progress, and that a thorough reform of the state is needed. On the forum of the Consultative Council under the Chairman of the Council of State Professor Jan Szczepanski declared, "The state has become burdened with heavy tasks ranging from industrializing the country, restructuring the awareness of citizens, and rearing the new socialist man to providing each citizen with his daily portion of potatoes and parsley. If the parsley happens to be stale, the citizen views negatively everything that the state, or the state administration, is doing. As the system of society has been developing, the obligations of the administration

have been growing, and correspondingly complaints by citizens have been rising. Thus, economic and political reforms must gradually restore to citizens 'autonomy' in dealing with their personal affairs, so that the citizen would be responsible for his own affairs, have the right to economic initiative, and be personally responsible for his own shoes, home, potatoes, and parsley." Of course, Prof Szczepanski can be criticized for using the passive voice—"the state has become burdened"—without specifying who has burdened the state and why, as this dodges the question. One could dispute his assertion that the process of restoring "autonomy" to citizens should be gradual. One could, lastly, ask why should citizens regain only the right to be responsible for their personal affairs alone—for their own "shoes, home, potatoes, and parsley"—and not also for the affairs of their own communities, larger or small? But basically that is a matter of detail. The fundamental direction of the needed changes was indicated with sufficient clarity in Prof Szczepanski's comment—the de-etatization of socioeconomic life and the primacy of the citizenry.

In this place, however, we look from the other side at the consequences of the abovementioned ambivalence of the state. When a citizen, inspired by the reasonable and unequivocal words that he has recently been granted the opportunity to hear, tries to assert in practice that primacy of the citizenry, he collides with, if not a wall, then at least a solid fence erected by—to use Prof Szczepanski's terminology once more—the state, or the administration of the state. Opening the smallest business or registering a most needed association is ensnared in Kafka-like coils of officialdom, drowned in a mountain of paperwork, protracted for months. Worse even, these lengthy proceedings still culminate not infrequently in a rather enigmatically worded refusal. The state thus is reluctant to abandon the prerogatives it had gained in the past decades, and in many cases it seems to play an ordinary waiting game.

In the process of creating genuine opportunities for independent civic action one other major question, that of funds, has to be elucidated and resolved. As citizens accept responsibilities for matters hitherto handled by the state, they must also get hold of the funds used to resolve these matters, funds heretofore handled by the state. The incomes policy implemented in recent decades has resulted in that the wages paid in this country represent an incomparably smaller part of national income than in other countries. By way of an example, per capita national income in France is greater by a factor of 3 1/2 than in Poland, but the average French wage is higher than its Polish counterpart by a factor of as much as 12! (Footnote) (I owe this observation to Professor Jozef Orczyk of the Economics Academy in Poland.) What is more, even these low incomes of Poles are customarily subject to incredibly high taxes levied by the Treasury of State. For example, the so-called social minimum (that is, an amount assuring a subsistence that is not much lower than that of the standard of living of the Polish society) has recently been estimated at about

12,000 zlotys monthly per person in a four-member family. At the same time, the basic income exempt from the equalization tax amounts to 580,000 zlotys a year or 48,333 zlotys monthly. Simple calculations show that a man intending to support a wife and two children on his own can assure them precisely of nothing more than life at the level of the "social minimum" if he does not want to pay the "equalization tax"; of course, this concerns only the tax-related aspects of the matter, because, as to how that model family provider is to earn 48,000 zlotys monthly, that is quite another story. (Footnote) (Professor Stanislaw Czajka of Warsaw University drew my attention to this interdependence.) In this connection, the Polish Treasury vigilantly guards its right to the surplus financial income of citizens. In many countries, people with higher-than-average incomes have a choice between paying [100 percent of] their taxes to the government and making financial donations to various socially useful private projects (schools, universities, welfare centers, publishing houses, etc.), and in the latter case their taxation rate is reduced by the amount of their financial donations. It appears to be time in this country, too, for well-off individuals who want to support financially the Catholic University of Lublin, contribute to building the Home of the Solitary Mother in Matemblewo, or donate to the publishing fund of the monthly 'RES PUBLICA,' to be eligible for corresponding tax credit. Besides, the need for changes in the financial relations between the citizens and the state extends to the pension system as well. This system has been nationalized and, as a result, again and again, in public comments, pensions are termed "benefits" and on various occasions the reminder is offered that these "benefits" are a burden on the state budget. But that is untrue! A pension is not a "benefit" but part of the rightful personal income of the employee, a deferred element of his wage which he is not paid at present so that he may avail himself of it later. There used to be a time when workers themselves, without assist from the state administration, administered pension funds. Now this is handled by government clerks, and the handling of these funds is eliciting increasing doubts and questions. (Footnote) (I was alerted to the ambiguities of the pension system by Professor Jozef Balcerek of the Main School of Planning and Statistics.) Thus, the state can, and even should, withdraw from various mentor-like activities, from subsidies and benefits, but at the same time it should relinquish to the citizens the whole of the funds thus freed. They themselves will decide how to utilize these funds.

De-etatization, that is, the actual detachment of a growing number of domains of our life from the control of the state administration and their transfer to control by citizens organized in various associations, is probably the most important social, economic, and also political task for the next few years. This "de-etatization Polish style" should consist of two mutually complementary programs—"the civic emancipation of the society" and "the self-limiting state." These programs would not only be the key to improving the conditions of our daily life

but also the most readily accessible way for Poland to join the mainstream of civilizational changes in the contemporary world.

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**Reform Efforts Dependent on 'Social Discipline'**  
*26000186c Warsaw TRYBUNA LUDU in Polish*  
*11 Jan 88 p 2*

[Article by Tadeusz Woicki: "Ciechanow: Law and Order Promote the Reforms" under the rubric "Plenary Sessions of Voivodship PZPR Committees"]

[Text] On 9 January was held a joint session of the Ciechanow Voivodship PZPR Committee and the Voivodship Control and Audit Commission. Problems of legality, order, and social discipline as factors promoting the economic reform and the democratization of socio-political life were discussed. The deliberations were attended by Jozef Czyrek.

Between order and social discipline and the quality and effects of labor there exists a close interdependence, it was emphasized at the plenum. There can be no mention of economic stabilization, of reforming the economy, of democratization of the life of the society, unless alcoholism, social parasitism, waste, and mismanagement are consistently eliminated.

It was said at the plenum that recently the growth of crime rate in the voivodship has been halted. Nevertheless, the local public is not completely satisfied with the state of security and public order and the extent of adherence to laws. For example, the losses caused by crime during the first 11 months of last year amounted to about 170 million zlotys in this voivodship. Alcoholism remains widespread, and the voivodship's inhabitants have spent nearly 8 billion zlotys on alcohol in 1986 and more than 4.5 billion zlotys during the first half of last year alone.

Inspections performed by party teams consisting of members of the WKKR [Voivodship Control and Audit Commission] and the Economic and Agricultural Commission of the Voivodship PZPR Committee at basic party organizations and committees at 63 plants revealed that at as many as 75 percent of the plants inspected there occurred during 1986-1987 such negative phenomena as mismanagement, decline in production quality, and waste, Deputy Chairman of the WKKR Wincenty Rozalski stated.

The party alone cannot combat all the symptoms of social pathology, it was stressed.

Jozef Czyrek declared, "We still too rarely trace the root causes of pathological symptoms. Some of them, such as drunkenness are rooted in our distinctive customs, but others are linked to the unfavorable economic situation. The peril of alcoholism or youth crime is disturbing."

The deliberations were attended by Deputy Chairman of the PZPR Central Control and Audit Commission Jerzy Wilk and the Commanding Officer of the Citizens' Militia Brigade General Zenon Trzcinski.

1386

**Democratization Viewed as Only Hope for Strengthening Nation**

*26000190b Katowice GOSC NIEDZIELNY in Polish*  
*No 6, 7 Feb 88 p 4*

[Article by (A. W.): "Incidentally Speaking"]

[Text] During the Gierek prosperity era and the acme of the propaganda of success in the 1970s a sociologist, Professor Adam Podgorecki (who is now spending his days in Canada and cherishing long since a sense of injury against our country), used to say with his characteristic ironic skepticism that in reality the country still was not growing prosperous because most Poles were "taking out insurance" instead of getting richer. Well, such has been the experience of our nation for the last few generations. Amassing genuine wealth is a rare thing in this country. Just consider the uncertain fate of various prominent personages. Some of them of a certainty "took out insurance," but just consider the number of completed or half-completed country houses which suddenly proved to be abandoned property. No one wanted to acknowledge his ownership of any such house, because at a certain moment the wind of history began to blow from another direction. As for the rather considerable scale of rural housing construction in recent year, that represents an elementary way of "taking out insurance" rather than any explicit amassing of wealth, because the older houses are collapsing.

I entertained these reflections upon reading the interview with Professor Reykowski in ZYCIE WARSZAWY of 23/24 January on the question of whether Poles are or are not conservatives, how do they respond to new difficult situations, and to what extent are they capable of reacting to them creatively and innovatively. The head of the Psychology Department of the Polish Academy of Sciences commented as follows on these topics: "Openness of mind largely depends on feeling of security. A person who feels threatened, uncertain, is prone to stick to what is familiar to him.... If a man is to bear up well under the stress that always accompanies facing new and more difficult tasks, there must be some domains of his life in which he feels well-rooted, which are stable.... It is no paradox that the same societies in which there exists attachment to traditions also display ability for innovation and desire for change.... Having deep roots (in history) yields (likewise) a feeling of security and is a source of psychological support from which strength may be drawn when starting to 'explore the unknown'.... This is a source of the courage to face the new." Farther on in his interview Prof Reykowski claims that a courageous and activist posture is formed in the presence of a confrontation among various fiefs, when a choice must

be made. Hence also "the pluralization of societal life affords the opportunity for spurring pro-growth attitudes." However, such activist attitudes decline in vigor if people experience a feeling of impotence, if they are sensible of disorder and chaos, and if the reality is beyond our control.

Clearly, providing favorable conditions for the development of social energy and creative attitudes, for initiative and courage, takes time. We are aware of the extent of the damage caused to historical awareness by propaganda, by the "white spots" and especially by the lacunae in the teaching of history at vocational schools. A good family education and preparation for life in the family takes a great many years, as does a government policy of family care that would afford an opportunity for a much greater number of people than at present to grow up as healthy and strong individuals owing to a supportive family life. We must therefore count on emergency measures that would produce a revivifying effect on popular attitudes and, above all, create a climate of confidence. Despite all the frustrations that we shall encounter, this climate can be created. All that is needed is to discard the illusion that work can be better organized, management can be streamlined, and, especially, productivity can be higher without democratizing the life of the society.

Only a broadening of genuine social representation, especially that of working people, and a broadening of dialogue with the authorities and of forms of effective social control, can improve the situation and awaken hopes and energies. And the reform shall make progress not so much through efforts and sacrifices as through the removal of obstacles to the growth of innovation and initiative.

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#### **PZPR Voivodship Plenary Sessions Reported**

##### **New Educational Approaches Stressed**

*26000163 Warsaw TRYBUNA LUDU in Polish  
7 Jan 88 p 2*

[Article by Jan Kraszewski: "A New Approach to Education" surtitled "Plenum of the Sieradz Voivodship PZPR Committee"]

[Text] Given the ongoing extensive reform of the economy and state, we need a new educational philosophy that allows for a decidedly broader shaping of such personality traits as creative approach to the accomplishment of tasks and solution of problems, resourcefulness, civic discipline, responsibility, and also ingenuity in coping with life.

This should be combined with the inculcation of lasting values of socialist humanism, which focuses attention on man and the broad development of his personality. This will require in our educational system a gradual but

consistent diminution of emphasis on encyclopedic store of knowledge in favor of greater ability and desire to utilize knowledge creatively, such being the idea voiced in the report delivered by Voivodship Committee Secretary Czeslaw Tomczyk—an idea that may represent a synthesis of most of the problems raised during the discussion.

The idea of the new approach to the problem of inculcating patriotic and civic attitudes in youth manifested itself both in the auditorium and offstage. For its advocates were offered a forum there, and an exhibition of the creative and engineering talents of pupils was presented.

In the dispute on the nature of our educational system and the attitudes of this group, sentimental approach was absent. Minister of National Education Henryk Bednarski had to refer to quite a few people and explain a lot, and also to stress the high organizational and substantive quality of the deliberations. In answer to the provocative question by Liliana Walczak, a student at the Sieradz High School, he attributed the withdrawal of a family-education textbook to a glaringly one-sided treatment of the topic. He agreed with her, however, on the issue of deficiencies in the upbringing activities of the school, and also on the need for its democratization.

When Grazyna Gzik, a teacher at the First Academic High School in Zdunska Wola, mentioned the continuing degradation of her profession, she was told that the new ministry is taking steps to resolve this urgent problem by the year 1990. The prediction that instructional curriculums will be stabilized following their verification from the standpoint of social and economic requirements was also received approvingly. The minister precluded in this connection any mechanical impoverishment in curriculum for the sake of that new approach.

Much was also said about the educational facilities, regarded as inadequate. But this is not so everywhere, because positive instances also were cited. The great importance attached to this problem in Sieradz Voivodship may be demonstrated by the fact, cited by First Voivodship PZPR Committee Secretary Janusz Urbanik, who chaired the deliberations, that the Voivodship People's Council earmarks 16 percent of its budget for investments in education.

##### **Cultural Policy Important to Reform**

*26000163 Warsaw TRYBUNA LUDU in Polish  
9-10 Jan 88 p 2*

[Article by Jan Urbanowicz: "Culture as a Contemporary Need" surtitled "Plenum of the Koszalin Voivodship PZPR Committee"]

[Excerpts] What is cultural life? Is it a way of spending leisure time, a fancy ribbon on the basket of daily purchases, or a very costly luxury? These and similar questions were pondered by members of the Koszalin Voivodship PZPR Committee who, together with

numerous participating invited visitors, on 8 January 1988, deliberated on the directions of cultural development in the voivodship through the year 2000.

Both the opening address delivered by Voivodship Committee Secretary Zbigniew Michta on behalf of the Executive Board and the discussion itself indicated that the participation of broad masses of the voivodship's population in cultural life is a contemporary need.

On taking the floor, Koszalin Vice Voivode Zygmunt Boczkowski discussed two opposed interpretations of culture and its functions in social life. First, there is the widespread view that culture is a luxury supplement to production tasks, that it is a way of distancing oneself from the problems of quotidian life. This view places culture at the bottom of the social hierarchy of aims, and it affects the decisions of the competent agencies allocating funds for cultural activities. The other view, presented in the materials prepared for the plenum, regards cultural activity as an indispensable factor in the success of reforming and streamlining the economy.

The deliberations were chaired by First Secretary of the Koszalin Voivodship PZPR Committee Eugeniusz Jakubaszek and attended by PZPR Central Committee Secretary Andrzej Wasilewski and Director of the Culture Department of the PZPR Central Committee Tadeusz Sawic.

#### **Civic Aid in School Construction**

*26000163 Warsaw TRYBUNA LUDU in Polish  
19 Jan 88 p 2*

[Article by Grzegorz Wojcikowski: "Plenum of the Zamosc Voivodship PZPR Committee: Much Still Remains To Be Done in Education and Upbringing"]

[Text] Zamosc. On 18 Jan 88 a plenary session of the Zamosc Voivodship PZPR Committee was held. Problems of education and upbringing were discussed. It was found that, despite many difficulties, the last 3 years were favorable to education in Zamosc Voivodship. The number of teachers with higher and semi-higher education increased. During the last 2 years 10 schools, 7 preschools, and 4 teacher homes were released for use. Community aid was enlisted in commencing the construction of 39 educational facilities, most of which will be completed by 1990. More than 90 percent of the schools are under the patronage of various plants and institutions. It was emphasized that in the last 2 years 260 teachers joined the PZPR and at present every third teacher is a party member.

Urgent unsolved problems include the poor technical condition of many rural school buildings and the lack of 800 dwellings for teachers. In cities, schools often operate on a two-shift basis. Despite the construction of 15 preschools in the last few years, they accommodate less than one-half of children 3 to 6 years old. The construction cost of educational facilities is high.

Ryszard Lepik, a teacher from Zamosc, declared that community projects operate on such a scale that there is a shortage of funds and materials for promoting them. The central authorities should provide the possibilities for expanding activities of this kind.

Ryszard Kotowski of Uchanie drew attention to the thicket of regulations governing the documents required for building schools and preschools. The norms regulating the surface area of premises or heating are constantly being revised; this has to be taken into account during actual construction, which entails additional and often high expenditures.

The deliberations were attended by Director of the Science, Education, and Scientific-Technical Progress Department [of the PZPR Central Committee] Boguslaw Kedzia.

#### **Rzeszow Notes Increased Production**

*26000163 Warsaw TRYBUNA LUDU in Polish  
22 Jan 88 p 6*

[Article by Leslaw Kolijewicz (PAP): "Dynamism and Conservation and the Fulfillment of Output Plans" surtitled "Plenum of the Rzeszow Voivodship PZPR Committee"]

[Text] Rzeszow. The plenum of the Rzeszow Voivodship PZPR Committee held on 21 Jan 88 was devoted to discussing this year's voivodship socioeconomic plan and defining more precisely the tasks of party organizations in fulfilling it. Members of the Voivodship People's Council and managers of 46 major production plants were invited to participate in the deliberations.

The discussants pointed to the region's production potential in industry, construction, transportation, communal infrastructure, and agriculture. Given proper management and the utilization of the new mechanisms provided by the second stage of the economic reform, it will be possible to attain this year a 5.6-percent increase in output, that is, 2 percent more than envisaged by the national plan. To this end, the discussants pointed out, the repetition of last year's methods of management, burdened by so-called objective difficulties, should not be allowed. During the discussion, experience in initiating totally new production unrelated to the traditional production profile of plants was shared. For example, the PZL Transportation Equipment Factory in Rzeszow will, according to First Secretary of the PZPR Plant Committee Stanislaw Krata, in addition to specializing in the manufacture of aviation engines, undertake the production of the heating radiators currently in demand for housing construction. In addition, it is leasing many of its machines to agricultural circles which shall expand the manufacturing of products needed by agriculture.

Export-prioritizing mechanisms must allow for the interests of the country as a whole rather than any one plant or factory, General Director of the ORGANIKA-SARZYNA Chemical Works Wladyslaw Pilat declared. For example, Poland is exporting raw materials which could be used by that plant to produce crop protectants and export them at much higher prices than the raw materials. More than once even, departments of the SARZYNA Plant had to suspend production because the needed domestic raw materials were being exported. Representatives of other plants pointed out that negligent treatment of their plant interests is causing tremendous difficulties in fulfilling government-placed orders.

The performance of many plant party organizations that are co-responsible for efficient management was self-critically discussed. Last year, material costs increased in all the principal branches of the voivodship's economy (with the exception of transportation and trade), while at the same time their profits also increased—this merely confirms the thesis that the principal reason for the rise in profits was the increases in the prices of the products manufactured. The smaller plants are not exploiting the potential of scientific and technological progress; e.g., in the last 2 years not a single zloty was spent on this purpose at the POLSPORT, CONRES, and other plants and factories. Stagnation in innovativeness has recently been observed at the larger industrial plants. The conducted job certification and reviews of organizational structures proved ineffective. After a job-certification drive that lasted one and one-half years, barely 3 percent of all work stations at the Rzeszow Meatcutting Works was evaluated; at the Rzeszow Transportation Equipment Plant, 4.5 percent; and at the ZELMER Plant, 10 percent. The growth of teamwork forms of labor is as yet feeble.

The plenum adopted a resolution defining the tasks of party organizations and echelons in spurring the fulfillment of output plans and conservation measures.

### **Straggling Production Proves Troubling**

*26000163 Warsaw TRYBUNA LUDU in Polish  
23-24 Jan 88 p 8*

[Article by Henryk Heller: "Laggards and Stragglers Represent Latent Potential: Plenary Deliberations of the Poznan Voivodship PZPR Committee"]

[Text] More than 50 industrial enterprises in Poznan Voivodship had in 1987 a lower sales volume in constant prices than in 1986. Given the traditionally good Poznan economy, the existence of such stragglers is disturbing. The main obstacles to the application of the second stage of the economic reform and all the barriers to the implementation at work establishments of the tasks ensuing from the resolution of the Sixth Central Committee Plenum were the principal topic of discussion at the recent session of the Poznan Voivodship PZPR

Committee, attended by Candidate Member of the Politburo of the PZPR Central Committee Gabriela Rembisz and chaired by First Secretary of the Poznan Voivodship PZPR Committee Edward Lukasik.

The plenary deliberations, and especially the discussion by the four taskforces, was enriched by the comments offered by invited first secretaries of plant party committees and basic party organizations from the major plants and factories in the voivodship.

### **Clashes Predictable During Reform**

*26000163 Warsaw TRYBUNA LUDU in Polish  
23-24 Jan 88 p 8*

[Article by Henryk Prawda: "Ever Exploring the New: Plenary Session of the Szczecin Voivodship PZPR Committee"]

[Text] How is the resolution of the Sixth PZPR Central Committee Plenum to be implemented most effectively? Attempts to answer this question were made by members of the Szczecin Voivodship PZPR Committee at their plenary session on 22 January. The following general thesis was expressed in the report of the Voivodship Committee Executive Board presented by Secretary Czeslaw Uscinowicz. "At present," he emphasized, "we encounter many proofs of positive solution of personal problems in the voivodship. But this is still not enough. Hence, we must continue not only to struggle against blockages of progress but also to consistently blaze the trail for whatever is new, accelerate the removal of obstacles, eliminate absurdities, negligence, waste, and manifestations of injustice, and initiate innovative solutions and tenaciously promote their introduction."

Kazimierz Kowalczyk, a hydraulic turbine operator at the Trzebiatow Electric Power Station, declared, "We at our basic party organization told ourselves that only consistent promotion of the reforms can lead us out of the existing difficulties. And this means that we must undertake job certification and organize the brigade system in plants. Other basic party organizations, too, should pay more attention to personnel matters and recommend the most eligible persons for various positions."

Kazimierz Jaskot, president of Szczecin University, declared, "Party-member academics have a tremendously important role to play. It is precisely our obligation to answer difficult present-day questions in these rapidly changing times, e.g., those concerning values such as democracy, justice, social equality, or internationalism. Indubitably, the era of renewal is bound to involve the collision of many attitudes. In this situation, the party must devote definitely greater effort to problems of politics and ideology."

The plenum of the Szczecin Voivodship PZPR Committee, which was chaired by First Voivodship Committee Secretary Stanislaw Miskiewicz, adopted a resolution

and a plan of action for the voivodship party organization in implementing the decisions of the Sixth PZPR Central Committee Plenum. The document contains an extensive package of very precisely defined obligations of party members and party echelons and organizations in the voivodship.

### **Claims of Stronger Party Structure**

26000163 Warsaw TRYBUNA LUDU in Polish  
28 Jan 88 p 6

[Article by Jozef Klis (PAP): "Plenary Deliberations of the Bielsko-Biala Voivodship PZPR Committee: Bet on Energetic and Resourceful Individuals"]

[Text] The indoctrination work of the voivodship party organization following the 10th Congress and the Sixth PZPR Central Committee Plenum was the subject of discussion at the plenary session of the Bielsko-Biala Voivodship PZPR Committee held on 27 January.

The positive aspects of the life of the voivodship party organization in Bielsko-Biala Voivodship include the further strengthening of party ranks and the improvements in the party's organizational structure. An important fact is that a growing number of basic party organizations at plants and factories are beginning to understand and fulfill properly their role as ideological-political leaders of the process of ongoing changes and in the implementation of the second stage of the economic reform and the further democratization of sociopolitical life in the foothills of the Beskidy.

Many party members are increasingly active in social and self-government organizations as initiators of community projects.

"We should bet on resilient and energetic individuals endowed with resourcefulness and other attributes of mind and character," declared Stanislaw Biczak, a worker at the ANDORIA Diesel Engine Plant in Andrychow. "Good and honest work should everywhere be paid well, and individuals who display great resourcefulness and ingenuity in their daily party and production work should be respected."

"However, a disturbing phenomenon is the departure of many persons with higher education from state industry and social institutions. We are thus losing resourceful individuals whom we, the party, cannot persuade through convincing ideological and economic arguments to engage in creative work for the good of the society," declared Secretary of the Bielsko-Biala PZPR City Committee Antoni Drzewiecki.

The plenum's participants adopted a resolution in favor of further improvements in the work of the voivodship party organization following the 10th Congress and the Sixth PZPR Central Committee Plenum.

### **Joint PZPR, People's Council Meeting**

26000163 Warsaw TRYBUNA LUDU in Polish  
28 Jan 88 p 6

[Article by Stanislaw Szlezak (PAP): "In Tarnobrzeg: Concern for Pure Water and Green Forests" surtitled "Field Plenum of the Tarnobrzeg Voivodship PZPR Committee and Session of the Voivodship People's Council"]

[Text] Tarnobrzeg. On 27 January the Voivodship PZPR Committee and the Voivodship People's Council held a joint session in Tarnobrzeg. Aspects of environmental protection were discussed. Kazimerz Barcikowski took part in the deliberations.

The dynamic growth of industry in Tarnobrzeg Voivodship is causing increasing harm to agriculture and polluting natural environment, it was stressed. Last year alone, the amount of untreated, discharged liquid wastes reached 19 million cubic meters; industry has dumped nearly 50 million tons of wastes on nearly 350 hectares of land, which places Tarnobrzeg Voivodship among the nation's voivodships with the greatest quantities of dust and slag on their dump sites. As late as in 1984 this voivodship included 60 km of rivers ranked in class 3 of purity, but nowadays no river here meets this standard. Tarnobrzeg City itself lacks a sludge treatment plant, and Stalowa Wola, the voivodship's largest city, is only beginning to build one. Fifty percent of the forests is threatened. To the local authorities and to the entire society of the region this means the necessity of giving definite priority to environmental protection.

Positive instances in this field are provided by the WISAN Window Curtains Factory in Skopan, which has released for use a liquid waste treatment plant a year ahead of schedule and installed dust-purification facilities. The Stalowa Wola Iron and Steel Plant has released for use auxiliary waste treatment facilities at its Plant No 5 and built a storage site for liquid wastes at the cost of 36 million zlotys. The DOZAMET Works in Nowa Deba completed the modernization of a dust-filtration facility at its heating plant, and the SIARKOPOL Plant in Tarnobrzeg has markedly curtailed the emission of fluorine and hydrogen sulfide at its fertilizer production department.

All this is too little, the discussants claimed. That is why the resolution adopted offers specific recommendations and proposals which should still further intensify the struggle against the ecological peril.

### **Brigade System Featured**

26000163 Warsaw TRYBUNA LUDU in Polish  
30-31 Jan 88 p 5

[Article by Witold Sawicki: "The Battle for a Rational Economy: "Plenary Deliberations of the Ostroleka Voivodship PZPR Committee"]

[Text] There is no turning back from the reform. It is our opportunity for a more efficient economy and better living conditions for citizens. We are continuing the



reforms, but even the best program cannot be implemented without active participation of the society. This was said on 29 January at the plenum of the Ostroleka Voivodship PZPR Committee.

The report by the Executive Board of the Voivodship Committee and the subsequent broad discussion focused on the question of how to overcome the barriers of impotence more effectively and rapidly.

The role of the basic party organizations in the reform was discussed: they should not act like kibitzers or show excessive caution; instead, they should strive to pose vital questions, identify waste, and combat stagnation. The point also is that it is precisely the party organization that should act as the mentor of unconventionally thinking individuals, of innovators.

The mentality of "it cannot be done" should be combated by, for example, promoting the brigade system of work as a source of improved economic performance and higher wages.

Jadwiga Chorowiec of PGO declared, "We had to 'force through' the first few brigades, but now 80 percent of the workforce belong to them and the remainder clamor to join them."

Stanislaw Staniaszek, first secretary of the basic party organization at the BUMAR Plant in Ostrow Mazowiecki, said, "It's the same with us. Self-discipline, highly productive work, and production quality ensue from the awareness that they [the brigades] result in much higher wages and offer greater independence of action."

Stanislaw Juraszek of the CELLULOZA Plant argued that rational thinking and action as well as openness to innovation are guarantees of improved economic performance. Last year alone, while working at the CELLULOZA Plant following its self-financed modernization, the workforce saved 10,000 tons of scarce pulp and utilized 30,000 tons of waste paper while maintaining production quality at a level equal to the Scandinavian.

The broad movement for conservation, which the party has inspired, must become a social movement, and trade unions, worker self-governments, socio-occupational organizations, and youth organizations should join in promoting it.

Toward the end of the discussion the floor was taken by visiting Politburo Member and Central Committee Secretary Jozef Czyrek, who stressed that without the party the reform would be a failure, because the reform is not just a package of ordinances but above all a change in mentality, in postures. The party cannot neglect the factors determining that mentality and those postures. It is precisely man who is the main subject of the party's activities.

He further declared, "Too many old habits are still rooted in us; we must change. The question of whether the reform will be consistently implemented has recurred in the discussions. This is a fundamental question. Even now pressures to slow the reform down by way of exemptions, special preferences, etc., are being exerted. Unless we succeed in being consistent, the desired social and economic consequences of the reform will not occur."

The Central Committee Secretary continued, "Our reform coincides with the no less important reform of socio-political structures of the state. We are developing the system of socialist democracy, whose fundamental feature is self-government. The point is co-decision and acceptance of shared responsibility." Referring to the coming campaign for elections to people's councils, J. Czyrek stated that what matters most is that these councils be not "mere ornaments of people's rule and democracy" but genuine local authorities. Their membership should consist of individuals who have the will and attributes of action that are decisive to the success of the reform.

The deliberations, to which the party and economic aktiv of the voivodship were invited, were chaired by First Secretary of Ostroleka Voivodship PZPR Committee Jerzy Glowacki.

#### **Social Benefits Based on Productivity**

26000163 Warsaw TRYBUNA LUDU in Polish  
30-31 Jan 88 p 5

[Article by Aleksy Kalenik (PAP): "Katowice: The Social Role of the Factory"]

[Text] The mechanisms and principles of the economic reform being applied are no reason why plants and factories should distance themselves from their surroundings, from the communities in which they are located together with the families of their workforces. Such was the basic conclusion of the plenary deliberations of the Katowice Voivodship PZPR Committee held on 29 January and devoted to analyzing and assessing the social role of plants and factories under the reform. "No one intends to do away with the welfare accomplishments of workers, because they provide them with a feeling of stability and bond them to their plants," declared Mieczyslaw Marcinkowski, chairman of the trade-union organization at the National Polish Bank in Bytom. "However, the level of these benefits shall depend on the economic performance of the enterprise. Any curtailments in this domain would affect the level and quality of work."

"It is difficult to believe that the region's socialized sector employs 600,000 women, many of them working in rather noxious conditions, especially in the chemical and mining industries. Many women having the same qualifications and skills as men receive lower wages than



men: good workers should be paid well regardless of their sex," declared Marianna Skrzypek, chairperson of the Voivodship Board of the League of Women.

"The problem of social services cannot be resolved on a day-by-day basis," declared Marian Mitrega of Silesian University, a member of the Commission on Social Policy under the Voivodship Committee. "Since 1984 a revival of the related initiatives has been observed in plants and factories, with much of the credit going to the reborn trade unions. Social services are neither charity nor a show of goodwill on the part of the employer but an obligation, but on the other hand the local authorities cannot treat plants and factories as the sole source of revenues for financing community activities and improvements in living conditions."

"The authorities must believe in and trust worker self-governments to spend properly funds on their social role, but there is a need for, e.g., a ceiling on the deductions to the social fund," postulated Antoni Gorzelany, chairman of the Worker Council at the Baildon Iron and Steel Plant.

Concepts of streamlining housing construction were described to the session's participants by Minister of Land Use Management and Construction Bogumil Ferensztajn.

The deliberations were attended by the Politburo members OPZZ [National Trade Union Alliance] Chairman Alfred Miodowicz and Zygmunt Muranski and chaired by Candidate Member of the Politburo and First Secretary of the Katowice Voivodship PZPR Committee Manfred Gorywoda. Present was Director of the Socio-economic Policy Department of the PZPR Central Committee Marek Holdakowski.

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#### **Kalisz PZPR Meeting Calls Service Industries to Task**

26000186d Warsaw TRYBUNA LUDU in Polish  
11 Jan 88 p 2

[Article by Zbigniew Menes: "Kalisz: Consumer Services—Urgent Improvements Needed" under the rubric "Plenary Deliberations of Voivodship PZPR Committees"]

[Text] The complex whole of the aspects of improving the scope and methods of consumer services was the subject of a plenary session of the Kalisz Voivodship PZPR Committee on 9 January. The deliberations, in which, among others, a group of nonparty inhabitants of the region took part, were chaired by First Secretary of the Voivodship PZPR Committee Jan Janicki.

The many-sided discussion, in which 20 persons took the floor, was preceded by the presentation of an executive board report by Voivodship PZPR Committee Secretary

Henryk Kostrzewa. He declared, "The demand for services depends on the living standards of the population. Assuming that the average inhabitant of the voivodship comes in contact with consumer services just three times daily, e.g., when shopping or using postal or telegraph services, in the course of a year he utilizes such services quite often—and loses a great deal of time which he could have spent on cultural activities, relaxation, or simply in the bosom of his family."

The participants in the plenary discussion traced the causes of the low level of consumer services to, primarily, considerable organizational red tape, habituation to bureaucratic action, and the technical backwardness of many service industries.

In Kalisz Voivodship the low level of consumer services is certainly also greatly influenced by its strongly neglected infrastructure.

Nearly every speaker referred to aspects of the functioning of health service and medical care, one reason being is that in these respects Kalisz Voivodship ranks close to the bottom for the country as a whole.

There is also no dearth of problems in other consumer service subsectors, e.g., in construction, communal services, telecommunications, etc. The crafts also are not free of problems. Hence improvements in consumer services as a whole are needed. Given the current limited possibilities, a selective approach is needed to solve specific problems, declared the Kalisz Voivode Marian Jozwiak. Of a certainty, priority should be given to helping the health service, and this was reflected in the resolution adopted by the plenum.

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#### **Krakow PZPR Committee Views Health Care Issues**

26000186b Warsaw TRYBUNA LUDU in Polish  
29 Jan 88 p 5

[Article by Jolanta Zajac: "Cure and Prevent: Plenary Session of the Krakow Voivodship PZPR Committee"]

[Text] Assessing the implementation of the resolutions of the 10th PZPR Congress concerning health care was the subject of the plenary session of the Krakow Voivodship PZPR Committee on 28 January.

Combating the consequences of the principal health perils and treatment of cardiac and circulatory diseases, cancer, and diseases of the respiratory system are the principal tasks of the health service and social care. A number of positive effects was achieved in the prevention and control of these diseases owing to, among other things, improvements in medical facilities. During the years 1986-1987, among other things, two nursing hotels with vacancies for 268 persons, the psychiatry clinic of the Medical Academy, a ward for the chronically ill with

vacancies for 80 persons, and four dispensaries were released for use. The modernization of all hospitals in the voivodship is being completed. The investment plan was fulfilled 97 percent, owing to delays in completing the Nowa Huta Hospital "B".

Despite these positive accomplishments, a number of unfavorable occurrences and trends has been observed: the supplies of medicines, infusion fluids, suturing materials, and bandagings are poor and there is a shortage of more than 1,000 nurses and specialists in radiology, urology, psychiatry, anesthesiology, and ophthalmology.

The resolution adopted by the Krakow Voivodship PZPR Committee stresses the need for health care institutions to cooperate with institutions of other sectors of the national economy, the mass media, and the society as a whole in order to promote proper health habits and behavior and eliminate the existing external perils.

The deliberations, chaired by First Secretary of the Krakow Voivodship PZPR Committee Jozef Gajewicz, were attended by Director of the Propaganda Department of the PZPR Central Committee Slawomir Tabkowski.

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### Self-Management Issue Comes to Fore in Sejm Discussions

26000197b Warsaw *ZYCIE GOSPODARCZE* in Polish No 7, 14 Feb 88 p 2

[Article by Irena Dryll: "Three Times Self-Government"]

[Text] The new year that begins is a good time for considering the subject of self-government on the supreme forum—the Sejm. Recently, three important sessions dealing with problems of self-government were held in the Parliament Building.

At the first of these sessions (27 January 1988) deputies belonging to the Sejm's Commission for Self-Government Affairs discussed the Commission's draft report on the status of workforce self-government at state enterprises, being prepared for plenary discussion by the Sejm on 10 and 11 February 1988. That is because, as legislated, the Sejm considers this topic annually: the Supreme Chamber evaluates its status. This time, owing to the tight work schedule, the evaluation of self-government for 1987 was postponed until February. In their report (which will be published more broadly after the Sejm's deliberation, in the next issue of this newspaper) the deputies point out that the institutional standing of self-government and its importance to the economy became markedly consolidated last year. They found, however, that the results accomplished cannot be satisfactory, especially in view of the requirements of the

second stage of the economic reform and the expectations which workforces and the segment of the society that supports self-government are linking to the participation of self-government bodies in solving problems of enterprises and the economy.

"Self-government is not yet a firmly established institution, and the Self-Government Decree is not being implemented by all in a manner consonant with its letter and spirit," commented Deputy Zbigniew Pruszkowski.

An eloquent example is the question of propagating self-government. Here some progress can be noted, to be sure, but, as the draft report states, despite the explicit position of the Sejm on this issue, as expressed in the Resolution of December 1986 on Self-Government, "...enterprise managers and heads of ministries have not taken sufficiently effective measures to create the conditions for the formation of self-government in places where its bodies do not operate yet. What is more, attempts are being made at times to attribute this failure to act to the workforce's lack of interest in self-government activities. This is distorting the actual picture of the situation at enterprises."

Another major problem is that of the activism of self-government bodies.

"It still varies greatly," declared Deputy Alfred Wawrzyniak. "About 30 percent of self-governments are evaluated from this standpoint as very good; about 30 percent as average; and about 40 percent as rather weak and relatively inactive. I personally feel that enterprise managers are currently on the counter-offensive."

The deputies expressed their belief in the need for scientific studies of this problem and in the draft report they pointed out that, despite the aforementioned 1986 Sejm resolution, "studies of factors promoting or restricting the activism of self-government bodies and their standing among the workforces have not been coordinated."

Several deputies (among others, the Commission's Chairman Stanislaw Kania, Czeslawa Burcon, Franciszek Dabal) drew attention to the role of self-government in the second stage of the economic reform, and especially to the **powers of its bodies in the new organizational structures** of the economy. These powers should not only pertain to decisions to establish new structures for the management of economic corporate units but also affect their operation. Hence also, in the opinion of the deputies, self-government solutions should be taken into account in all legislation concerning these structures, including joint-stock companies and other forms of commitment of the assets of enterprises.

At the second session on the subject (28 January 1988), deputies from three commissions—Economic Plan, Budget and Finance; Legislative Work; and Self-Government Affairs—also considered the problem of organizational structures, which will shortly be commented upon. The deliberations, chaired by Deputy Stanislaw Kania, dealt with the program for implementing the second stage of the economic reform together with its modifications as recently presented by the government. The discussion resulted in the draft resolution of the Sejm, "Concerning the Program for Implementing the Second Stage of the Economic Reform and the Activities of Workforce Self-Government," accepted by deputies from these three commissions.

The broad and not uncontroversial debate, during which various aspects of the modified implementation program and especially concepts of attaining economic equilibrium were variously appraised, was carried by the daily press. The draft resolution being prepared for the plenary session of the Sejm on 10 and 11 February (the same session for which the draft report on the status of workforce self-government was prepared) will of a certainty trigger discussion, thus affording an opportunity for a more public presentation of the topic right after the Chamber's session. Hence also I shall for now merely make a few comments on the self-government topic.

Deputy Prime Minister Zbigniew Sadowski, who attended the session, commenting on the alleged—as he put it—absence of model solutions as imputed during the discussions, recapitulated the starting premises of the implementation program, of which the first concerns self-government as a basic form of management in the socialist system of society.

"Except that this concerns various forms of self-government: self-government of the enterprise workforce, local self-government, cooperative self-government, and also socio-occupational self-governments. Because the economic reform is not," the deputy prime minister emphasized, "a mere transformation of economic mechanisms: it is an integral part of the Renewal as a whole."

An elaboration of these starting premises is represented by the comments on self-government contained in the draft resolution.

According to the deputies, the program for implementing the second stage of the economic reform lacks a broader vision of workforce self-government. It is therefore necessary not only to define more precisely measures to strengthen self-government, and to establish self-government wherever it is absent as yet, but also to introduce self-government—through amendments of binding legislation—at the enterprises and institutions at which it can effectively influence the quality and rate of implementation of their tasks.

The issues specified in the draft resolution also include enhancing the influence of worker councils on the rational utilization of personnel and the development of a personnel policy assuring, among other things, competitive candidacies for executive positions. The draft also stresses the need for a more effective legal protection of self-government members and draws attention to the procedures followed in organizational restructuring. Enterprise associations should be formed when so warranted by economic expediency; they should moreover be completely voluntary rather than imposed on the enterprises from the top.

Summing up the deliberations of the three commissions, Deputy S. Kania stressed, "Self-government is the key to implementing the tasks of the second stage of the economic reform, and it is an important factor in liberating the initiative and support of the workforce. There is no other institution enjoying such support from the workforces, a support that to be sure is not universal but is very broad."

At the third session, that of the Program Council of the Center for Self-Government Studies under the Council of State (held in the Sejm Building on 3 February) obstacles to liberating such initiative were discussed, among other things. The members of the Program Council, whose chairman is Member of the Council of State Professor Sylwester Zawadzki, include Sejm deputies, academics, and practitioners such as enterprise directors and self-government activists. A report on accelerating the propagation of group forms of the organization of labor and the main directions of the activities of the Center for Self-Government Studies in 1988 was discussed. The report, prepared by a taskforce directed by Docent Stanislaw Rudolf, found that, among other things, accelerating the development of group forms of the organization of labor and their proper operation hinge greatly on the scope of an enterprise's autonomy and on the proper functioning of economic mechanisms. "For how can there be any mention of autonomous groups in an enterprise that is not autonomous itself. Even if such groups arise (e.g., with considerable assist from the management), they will be artificial, rachitic formations bereft of the opportunity to justify the hopes placed in them."

There can likewise be no mention of acceleration without restructuring the wage and tax systems. In the opinion of the report's authors this concerns also eliminating ceilings and threshold-type formulas that block wage increases without being in any way related to economic effectiveness; this also concerns greater linkage of the wage-paying possibilities of enterprises to the growth rate and extent of their actual profits as well as simplification and reduction of taxes on enterprises and the concomitant introduction of a personal income tax.

The discussion confirmed the validity of the above assessment: unless changes are made precisely in wages and taxes, it is difficult to expect initiatives promoting the propagation of group forms of the organization of labor.

"We simply can't afford to do otherwise," declared the former Chairman of the Worker Council at the Warsaw Passenger Car Factory Jan Boratynski. "Timidly, we have launched a couple of labor brigades so that our fellow workers would gain experience in this group form of the organization of labor, but we have no money for anything more than that."

This opinion is shared by Andrzej Frackowiak, Chairman of the Worker Council at the TONSIL Works in Wrzesnia:

"The tax restrictions are detrimental to the brigade system. The enterprise is not interested in increasing individual productivity. It is easier to pay lower wages to three middling workers than higher wages to two highly productive workers."

At TONSIL about 43 percent of the blue-collar work-force work under the brigade system. This system eliminates inefficient workers and should reward those working productively. The problem is that both the last year's restrictions associated with the 12-percent threshold [ceiling on wage increases] and the present tax formula for ceiling-exceeding wages as well as the rules for determining tax-free amounts, as recently published in 'RZECZPOSPOLITA' ('REFORMA GOSPODARCZA' Supplement) render impossible—in Chairman Frackowiak's opinion—proper "linkage" of productivity to wages. This year the problem is additionally complicated by the issue of the 6,000-zloty compensation payments [for price increases] and the mandatory increases of the minimum wage. Including these increases in base pay causes them to become part of the wages, so that as a result (even when assuming that there will be no pay increases other than the compensation payments) it will be necessary to pay about 30 million more in taxes on ceiling-exceeding wages than last year—57.6 million zlotys instead of 28 million.

This is an estimate and space does not permit citing here the entire detailed calculations. But it should be mentioned that this problem is causing anxiety at many factories, including those which have "wagered" on the brigade system. As put by Director Jesionek of the POLAM High-Melting Products Factory in Warsaw, "A prerequisite for the existence of the brigade system is the possibility of higher wages in return for more effective work."

This problem was also discussed by academics. Professor Kazimierz Doktor argued that labor costs have again declined, and whatever is cheap is difficult to manage well. He was of the opinion that self-government members should analyze this difficult economic problem at their workplaces and try to influence the existing situation.

Professor Zawadzki, on the other hand, declared that he has been receiving comments from enterprises that the new formula for ceiling-exceeding wages may act as a

disincentive on those who desire an increase in output. Once again, like a year ago when the 12-percent threshold had been introduced, there are signals that this will torpedo the possibilities for augmenting the supply [of consumer goods].

The program for shaping the wage fund in the present complex situation is, as ensues from the above, unusually difficult. Self-government members have been commenting on this topic in the same spirit as the deputies preparing the draft resolution on the implementation program for the second stage of the economic reform, who pointed to the absence of clear rules for linking the wage fund to labor productivity. Hence the recommendation, contained in the draft resolution, that work to develop rational solutions to this problem be intensified.

The opinions of the deputies coincided with the opinions expressed by discussants at the session in question, concerning this year's activities of the Center for Self-Government Studies (CSS).

While acknowledging the accomplishments of the CSS, which is a new organization with a limited staff, Professor Ludwik Bar, a member of the CSS Program Council, suggested that it focus its efforts this year primarily on what is in the professor's opinion the most urgent problem, namely, the conduct of studies that would serve to answer the question why only 15 percent, as some say, or 30 percent as others say, of worker councils are activist. For it is difficult to support and assist self-governments in the absence of thorough knowledge of that matter.

"In many cases," Deputy Maciej Lubczynski commented, the enterprise director is the one who has to initiate worker self-government. "There also exists a converse of this, as Deputy Zbigniew Pruszkowski observed, "The management wants to hide behind the shoulders of worker self-government: they know and feel the same thing as the self-government, but they are silent. It is only the self-government members that make public comments."

Professor Leszek Gilejko estimates that there are more than 30 percent of activist self-governments, but even so, in his opinion, this topic deserves consideration or rather continuation and coordination. It is being studied by, among other institutions, the Institute for Studies of the Working Class at the Academy of Social Sciences.

Also linked to this problem is the recommendation offered by Bernard Cenkalik, chairman of the worker council at the BUMAR-LABEDY Combine, "The question of the numbers of enterprises at which self-government exists or is absent—and then why?—should finally be conclusively clarified."

**Discord Noted at OPZZ, Government Meeting on Price-Wages Policy**

26000197a Warsaw ZYCIE GOSPODARCZE in Polish  
No 4, 24 Jan 88 p 4

[Article by Barbara Brach: "A Record of Discrepancies: Price-Wages Policy"]

[Text] On 13 January the session of the OPZZ [National Trade Union Alliance] took a position on the government's assumptions for this year's policy on wages and prices.

No one who listened to the prefatory address by OPZZ Vice Chairman Wacław Martyniuk, who reported on the results of the consultation of trade unions (157 opinions and positions taken by 62 trade-union federations, 49 voivodship trade-union alliances, and 46 plant trade-union organizations as well as several hundred letters from citizens), and subsequently to the discussion, was surprised by the unanimous objection to the government's proposals. Detailed reports on that debate, including the responses of government representatives and the speech by Deputy Prime Minister Zdzisław Sadowski as well as the text of the position, were published by the daily press. Thus, in accordance with the suggestion offered by the Chair, Alfred Miodowicz, in his concluding address, let us try to list the disagreements.

The immediate object of the dispute is the proposals contained in the report of the Ministry of Finance proposing a new—with allowance for the results of the referendum—variant of the price-wages policy and specific measures for compensating those who would suffer most from the price increases.

According to the estimates of the Ministry of Finance, the overall level of the prices of consumer goods and services will increase by about 27 percent owing to the price increases in 1988. Based on studies of the family budget by the GUS [Main Statistical Administration], given a specific "basket" of goods, the amounts of direct monthly compensation to be paid are figured at 1,750 zlotys per member of a worker's family and 2,800 zlotys per member of families of pensioners or annuitants. Corresponding adjustments of allowances, benefits, scholarships, etc., are postulated, along with guarantees that the real value of the wage fund will be maintained, and a revaluation of savings is envisaged. At the same time, it is to be borne in mind that, according to the Sejm's resolution on the 1986-1990 National Socioeconomic Plan, conditions will be provided for preventing any decrease in average real wages for the economy as a whole, which means that the increase in average nominal wage in 1988 will amount to about 10,500 zlotys (36 percent) [monthly] and will correspond to the overall increase in prices in 1988 as well as to the effects of their increase in 1987 (excepting the prices of alcohol and cigarettes).

The members of the OPZZ Council, while discussing the assumptions of the price-wages policy for this year, evaluated negatively the economic policies being pursued so far. Nearly everyone criticized these policies from various and generally mutually exclusive standpoints.

Kazimierz Iwaniec (National Council of Agricultural Workers) demanded that the price-wages policy should assure an effective control of inflation and promote the market equilibrium. He proposed that both the market for farm products and the market for farm machinery and implements be exposed to the laws of the open market.

Stanisław Grabinski (Federation of the Trade Unions of Municipal Sanitation Employees) criticized the traditional "philosophy" of balancing the budget by mainly abolishing subsidies and raising prices. "Our economy," he continued, "is characterized by a 'play safe' approach to enterprise profits and personal incomes, which in effect strengthens the growing popular belief that it is not worthwhile to work for a state enterprise."

He appealed for the restoration of such universal principles of economic management as ingenuity, resourcefulness, and money as well as on a new tax policy, because the traditional such policy is inconsistent and riddled with doctrinal apprehensions.

A direct response to these and other comments was made by Deputy Minister Zbigniew Szalajda, who declared that the government is being criticized for various reasons but the general root cause of the criticisms is the frustration ensuing from the fact that the economic situation is not improving at a sufficiently rapid rate, which produces the feeling that it is deteriorating. Pointing to the structural genesis of the inflation (the huge burden of servicing foreign indebtedness borne by the economy, the high materials- and energy-intensiveness of the economy), he pointed out that the dispute about the nature of the inflation (price inflation or wage inflation?) is a seeming one. To conclude, the criticisms in reality pertain to the structural situation rather than to the economic policy by means of which, in the opinion of the trade unionists, the addressee of the criticisms intends to change the situation radically.

Likewise, the deputy prime minister did comment on the alternatives ensuing from the discussion—subsidies or free market prices.

The subsidies in themselves, he declared, are not, of course, something bad. But their share in the budget is substantial—they definitely account for too large a part of budgetary expenditures. The higher the subsidies are, the greater the budget revenues have to be. In its turn, the second stage of the economic reform promotes

broadening the scope of free market prices, but this cannot be carried too far because the consequences of a sudden increase in prices would be the opposite of those intended.

Another issue whose liberalization nowadays is difficult is the extent of the expenditures of enterprises on wages. Deputy Prime Minister Sadowski argued that, given the current price levels, abolishing the restrictions on wage increases would result in accelerating inflation.

The differences in evaluating economic policies did not elicit lively emotions. But the comments and opinions on the assumptions of the prices-wages policy and on the concomitant compensation payments stirred considerable emotion, for several mutually potentiating reasons.

Above all, there is the experience of recent years, in which all assumptions regarding price increases were endemically and markedly (by about 30-50 percent) exceeded, as recalled already in the prefatory address by W. Martyniuk. This issue was emphasized by other speakers, who rejected the 27-percent price increase indicator as unrealistic. This mistrust was supported by the argument that, given the proposed increases in the prices of fuel, raw and other materials, and energy, there exist no chances for reining in the increases in contract prices.

Along with the declared disbelief that the increases in the prices of goods and services would be held at the 27-percent level, the speakers voiced apprehensions of the decline in the living standards of the families of workers, pensioners, and annuitants, which, they said, would be accompanied by growing wealth of the private sector. Doubts in the official declaration that real wages this year would not decline were voiced by, among others, Teresa Janiszewska (OPZZ Council for Women), who buttressed her opinion with trade-union statistics according to which real wages are going to decline this year.

Emotions also were stirred by the contents of the basket of goods (18 items) adopted as the basis for reckoning compensation payments and hence also their amount. Above all, the absence in the basket of such items as vegetables, fruits, medicines, the cost of transportation, textbooks, newspapers, personal toilet goods, and clothing and footwear, was questioned. This was reflected in the official position of the OPZZ Council, which expresses the view that the basket in question, used to figure compensation payments, should also allow for the (abovementioned) goods and services to which contract prices apply. The OPZZ Council requested the Sejm to consider the possibilities for changing the method used to compute the cost of living and introducing a permanent mechanism for adapting on semiannual basis the increases in wages and social services to the actual increase in the cost of living.

The divergences in views on the contents of the "basket" serving to compute compensation payments was as follows: the government proposes payments of 1,750 and 2,800 zlotys while the OPPZ is postulating 6,750 zlotys. The government assumes that wages should be the principal source offsetting the rise in the cost of living. In the opinion of the OPZZ, the compensation payments, reckoned per family member, should completely offset the increase in the cost of living.

Deputy Minister of Finance Wincenty Lewandowski reminded the audience of the principal objectives of the prices policy (reaching an overall market equilibrium, curtailing inflation after 1988, reducing subsidies, and improving price structure).

Minister of Labor and Social Policy Janusz Pawlowski declared that any enterprise has real possibilities for raising wages at a rate that can even be higher than that of price increases inasmuch as wages [now] depend on labor productivity and the economic performance of enterprises. He proposed abandoning the discussion of the basket of goods, because it can be assumed that, in accordance with the assumption that, overall, wage increases will be no smaller than the rise in the cost of living, all price increases will be compensated for [through compensation payments].

The proposal of Minister Pawlowski coincided with an earlier comment by Wieslaw Siewierski (Federation of Thermoelectric Energy Industry Employees) who declared that discussion of details is a basic fallacy since the principal problem is to prevent the purchasing power of wages from becoming smaller than in the previous years.

Both these positions were referred to in the address by Zdzislaw Sadowski, who proposed that discussion of real incomes be based not so much on indicators as on the availability of consumer goods. For what of it if prices do not increase (as had happened, e.g., in 1981) when there are no consumer goods on the market? Besides, this concerns securing real incomes. Prices should not be subject to negotiations; they depend on objective factors, and in the case of Poland their structure has to be changed, because this is a prerequisite for improving the structure of the entire economy and streamlining its management.

As regards compensation payments, the deputy prime minister acknowledged the criticism of the government's intentions. The new formula for figuring payments compensating for the rise in the cost of living requires no "basket" and its purport is clear—safeguarding the level of real wages. He also appealed to the trade unionists for viewing prices in relation to the entire program for restructuring the economy and increasing the supply of consumer goods. In conclusion, he stressed that finding a

rapid way out of the difficult situation is a common cause to all and there is no sense in opposing the intentions of the government to those of the trade unionists.

Taking a position on the assumptions of the price-wages policy on which it was consulted, the OPZZ Council adopted a resolution authorizing the Secretariat of the OPZZ Executive Committee to take steps to implement it. And concluding the deliberations, Alfred Miodowicz declared that one of the attendant recommendations is that the partners (the government and the trade unions) should not limit their contacts to occasional meetings. As for the particular issue of modifying the assumptions of the prices-wages policy, the trade unions propose to the prime minister an immediate commencement of mutual talks.

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### **World Bank Report: Facts the Mission Should Have Been Told**

26000190a Katowice GOSC NIEDZIELNY in Polish  
No 6, 7 Feb 88 p 4

[Article by Stefan Bratkowski: "A Picture Awry: The World Bank Report"]

[Text] The reader should not think that the authors of the report by the World Bank include any persons feeling hostility toward our country; as many as three of the 25 authors bear Polish names and at least two of these names have historic roots, being linked to 19th-century Polish engineer-adventurers: Mrs. Karen Swiderski, representing the International Monetary Fund, is presumably a descendant of the designer of printing machinery who had settled in Saxony and is known to me from old 19th-century issues of the famous English periodical 'ENGINEERING,' while Antonio Tarnawiecki is probably either a son or a grandson of the Polish engineer and mining entrepreneur from... Peru. As for Witold Sikorski, judging from his name he simply has to be a Pole. Thus, it was not enemies who had authored that report.

The tone of that report is equable; it distances itself from the PRL [Polish People's Republic] authorities but, while often critical, it is not belligerent, and it even seems to be fully aware of their good intentions. I do not think that the professional competence of Timothy King's mission can be questioned. The report was clearly drafted by persons educated at good Western economic institutions, with a solid textbook knowledge [of economics], as is besides revealed by the language it is couched in. Its authors may perhaps have little practical experience and commercial knack, it may be presumed, but they are no swindlers.

The so-called Main Report, a copy of which I have received, is the first volume in a series. Dated 17 August 1987, it was written in July, following two visits of the

team to Poland, one during October and November 1986 and the other in May 1987. Including tables, the typescript is nearly 120 single-spaced pages—on par for documents of this kind.

The PRL authorities made a copy of that report available to the Consultative Council which published it as one of its documents, as part of restricted official circulation. I got my own copy quite privately, not from the Belvedere or from the main office of the World Bank but from a European capital. This means that "over there" it was not purely a restricted document and that it was not necessarily "made public" with the World Bank's approval. It is all the more a pity that that report was not "made public" earlier to a couple of individuals who are somewhat more knowledgeable about or economy or at least closer to it. Thorough and objective discussion of that report would be of use to both creditors and potential further credit grantors and also to the PRL government. And to the Polish society as well. Not to mention the World Bank itself. Many pertinent comments and reasonable observations by the report's authors lose in credibility because closer analysis of its text reveals its rather nonchalant—let us put it this way—treatment.

### **A Report About Hungary or Bashkiria**

The report describes our economy, its foreign trade and indebtedness, and it devotes considerable attention to the economic reforms planned by the PRL authorities. Lastly, it discusses Poland's investment plans and export potential. The authors used official data from the official state institutions of the PRL. This is seemingly nothing wrong, except that certain domains of the economy are either absent or treated in a, well, upside-down manner by our official structures. The result: were the World Bank's report used to determine Poland's geographical position, that would be a landlocked country located most likely somewhere in the heart of the Balkans or even near the Urals.

The report's authors have completely overlooked the more or less 500 km long Polish coastline on the Baltic and the favorable position of the rivers and hence also the rich transit potential.

They had overlooked the sea, because Warsaw after 1945 has had little understanding—save for the short period during which Professor Darski had been a government minister—of the importance of maritime commerce and shipping. In effect, the maritime economy was represented in the country's administrative authorities by either any one or no one. Thus, the World Bank's experts had no one they could consult about the Baltic's largest sea ports. They did not know that Poland has access to the sea, and hence they made no mention of the profits that are being made from maritime commerce throughout the world. One huge field of the economy is simply absent from the report.

Another field—inland waterway transportation—also is absent in the report, but that is because it actually is absent in our economy. Consider that the FRG, a country located in the same European Lowland as Poland, transports 25 percent of its goods by water, whereas for Poland it is less than one-half of a percent. In theory, with proper investments, Poland could not only reduce the cost of domestic transportation of bulk cargoes but also act as a middleman in the growing transit of goods between West Europe and the USSR. The World Bank Mission is critical of the investment in the continued electrification of Polish railroads because, in its opinion, the resulting energy savings are too modest, but there was no one to tell it that rivers do exist in Poland and that Poland lies athwart the main transit route between East and West.

### Where Did They Get Their Information?

On the other hand, some informants have told the Mission that Polish agriculture is less productive than that of the "other countries of East Europe" (sic!) and the Mission had believed such nonsense! I can guess the identity of these informants. I think that they are the same people who had suggested to the Mission "the necessary and inevitable shift of the labor force from agriculture" (seemingly so logical, since there are so many dwarf farms in Poland). They were probably the same informants who had whispered to the Mission that the sources of the growing indebtedness dating from the 1970s are traceable to "the consequences of bad weather to local harvests" rather than to the policy of suppressing private farming pursued by their friend, the then government minister, who had forced his government colleagues to order mass imports of grain just in order to avoid paying Polish peasants....

The Bank's experts could have learned of it by reading about Poland something more than the materials from such sources. They would then have discovered the glaring fact that, after 40 years, Poland is facing the need to carry out... a land reform. The entire civilized Europe has during the last 100 years of consistent parceling purged itself of uneconomical great landed estates, whereas in Poland that group of farms [probably meaning state farms] accounts for some 22 percent of all arable land!

Were the Mission's experts to peruse at least the official Statistical Yearbook of the PRL, they would certainly conceive the idea that land from these estates could be apportioned to complement land owned by the most efficient small private farmers in the regions where their numbers are the greatest. And they would realize that the Polish farm population is aging and incentives for new young settlers should be provided, and lastly, that in the sector of the great landed estates the employment per 100 hectares is much higher than in the private farm sector, while productivity is much smaller—a fact which fortunately at least no one is whitewashing any longer.

They would also learn from the Statistical Yearbook something more not only about agriculture. On leafing through other pages, they would find that Poland produces not only 9.3 percent of the world's output of sulfur, 6.1 percent of the world's extraction of black coal, and 3.9 percent of refined copper, but also 6.5 percent of the world's output of silver. Well, but then the Polish economic authorities are preoccupied with coal. Similarly, the tremendous possibilities for the extraction of natural gas in Poland are known to readers of PRZEGLAD TYGODNIOWY but absent from the report by the World Bank Mission.

As to how can such a picture of the economy serve as a basis for constructing any plan for renewal, that remains a sweet mystery known only to the experts.

### What One Can Think of

The report's authors are, as we have said, normal people from the world of normal economics. They cannot even conceive of certain lacunae, I believe. And it is hardly surprising that, showing only a slight grimace of abomination, they view our economy as disoriented, mismanaged, overdirected from the top, fatally organized, and hampered too much by central planning—but still as a money-based economy.

They are shocked, for example, that no financial discipline is imposed on enterprises and the possibilities of bankruptcy are not being exploited. No one has told them that neither the state enterprises nor the government nor the ministries own any part of "public property," that there does not exist any plant capital from which losses could be written off, and that in these conditions bankruptcy would be meaningless.

The Mission's experts point to the need to delimit competences between the central bank and commercial banks, but they consider the existing banks to be something resembling normal commercial banks, "independent" and "autonomous" banks. Similarly, they accept the concept of credit in Poland at its face value. Just as similarly, they are unaware that our ingenious bureaucrats have replaced the formal exemption of enterprises from employment and wage ceilings with a "taxation" of the wage fund that produces the same result—so long as any settlement of ownership relations can be avoided....

The report's authors criticize the subsidy system. They find that the subsidies for construction and food merely add to the fiscal burden. But what they do not know is that there does not exist any Treasury of the State—what exists is merely the central budget, and the subsidies paid from it are spent not on the social protection of, e.g., poor potential buyers of housing but on maintaining the bureaucracy which burdens housing construction as well as the excessively costly and uneconomical "housing factories." As for food and medicines, the same goes for them. Were it not for the bureaucracy with which they are saddled, the peasant and dairy cooperatives, genuine



cooperatives, could operate profitably even at current prices. As for the pharmaceutical industry in Poland, it attains the highest accumulation next to the industries producing vodka, cigarettes, and cosmetics.

And so on, so on. The Mission's experts showed no curiosity about the laws governing the economy. Therefore, no one has made them privy to the fundamental truth that these "laws" have multiplied so much that the legislators themselves are drowning in them and the entire year 1988 is to be spent on "reviewing" the regulations issued by various ministries instead of drafting, or restoring in modified form unambiguous provisions of the commercial law code and other laws binding prior to 1948. The experts are unaware that "cooperatives" cannot operate qua cooperatives, that, e.g., at cooperatives for the disabled every 1,000 disabled members must support more salaried bureaucrats than 1,000 healthy and non-incapacitated employees of industry! And so the experts included in an appropriate table in the report (table on taxes representing revenues of the central budget) social insurance premiums and amortization payments (!) without providing any commentary on these data.

#### Who Lives Beyond His Means?

The report makes no mention whatsoever of the proliferating bureaucracy, which I view as a grave mistake on the part of the experts who had composed it; the economies of the underdeveloped countries generally suffer from this malaise. Thus, pertinent questions could have been asked in Warsaw as well—of course not on Three Crosses' Square, at the seat of the Planning Commission, where the very core of bureaucracy resides. But at least some relevant material could have been obtained from the GUS [Main Statistical Administration]....

The report mentions the lopsided structure of employment in Poland, its excessive—and seeming, besides—concentration. It can be seen that in Poland lacks that fabric of petty and small enterprises which is fundamental to any economy. Even that report, too, outlines the picture of an economy that resembles the huge skull of a hydrocephalous mastodon with the emaciated, diseased, and deformed body of a rachitic giraffe. But the report does not ask about the health of that giraffe; it does not ask how it manages to stand on its legs, and neither does it recommend restructuring that abnormal structure—yet, if only anyone asked, recommendations of this kind are of fundamental importance and bear fundamental practical consequences: no one wants to work as a salesperson in an ordinary store, because the salaries are too low; and the salaries cannot be higher because each salesgirl, each wholesale-trade employee, must support one clerk in one of the three swollen bureaucratic agencies overseeing the trade apparatus. But no one has told this to the World Bank Mission.

What needs be added? Unfortunately, there is so much to be added, next week.

## ROMANIA

### Appointment, Removal of Chairmen of Commissions

27000056a Bucharest BULETINUL OFICIAL in Romanian Part I No 53, 11 Nov 87 p 4

[Presidential Decree on the removal and appointment of some chairmen of commissions subordinate to the Council of Ministers]

[Text] The President of the Socialist Republic of Romania decrees:

Article 1—Comrade Cornel Pacoste, deputy prime minister of the government, is relieved of his position as chairman of the Governmental Commission for Economic and Technical Collaboration and Cooperation and permanent representative of the Socialist Republic of Romania to the Council for Mutual Economic Assistance.

Article 2—Comrade Stefan Andrei, deputy prime minister of the government, is appointed chairman of the Government Commission for Economic and Technical Collaboration and Cooperation and permanent representative of the Socialist Republic of Romania to the Council for Mutual Economic Assistance.

Article 3—Comrade Dimitrie Ancuta is relieved of his position as chairman of the Government Commission for Streamlining the Accounting System in Socialist Units.

Article 4—Comrade Neculai Ibanescu, deputy prime minister of the government, is appointed chairman of the Government Commission for Streamlining the Accounting System in Socialist Units.

Article 5—Presidential Decree No 18 of 5 February 1987 is abrogated.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 10 November 1987

No 196

/06662

### Necula Replaces Tanasescu on Science Committee

27000056b Bucharest BULETINUL OFICIAL in Romanian Part I No 59, 18 Dec p 9

[Text] The President of the Socialist Republic of Romania decrees:

Article 1—Comrade Florin Teodor Tanasescu is relieved of his position as deputy chairman of the National Committee for Science and Technology.

Article 2—Comrade Alexandru Necula is appointed deputy chairman of the National Committee for Science and Technology.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 17 December 1987

No 214

/06662

**Peoples Councils Appointments in Calarasi, Dimbovita**

27000056c Bucharest BULETINUL OFICIAL in Romanian Part I No 59, 18 Dec 87 p 9

[Text] On the basis of Article 97 of Law No 57/1968 on the organization and operation of the peoples councils, the President of the Socialist Republic of Romania decrees:

Article 1—Comrade Nicolae Stefan is appointed deputy chairman of the executive committee of the Calarasi County Peoples Council.

Article 2—Comrade Ion Davidoiu is appointed deputy chairman of the executive committee of the Dimbovita County Peoples Council.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 17 December 1987

No 213

/06662

**Zipis Transferred From Agriculture to Finance**

27000056d Bucharest BULETINUL OFICIAL in Romanian Part I No 63, 30 Dec 87 p 16

[Text] The President of the Socialist Republic of Romania decrees:

Sole article—Comrade Ion Zipis is relieved of his position as deputy minister of agriculture and appointed deputy minister of finance.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 26 December 1987

No 214

/06662

**Removal, Appointment of Foreign Trade, Finance Officials**

27000056e Bucharest BULETINUL OFICIAL in Romanian Part I No 1, 11 Jan 88 p 2

[Text] The President of the Socialist Republic of Romania decrees:

Article 1—Comrade Mihail Diamandopol is appointed president of the Romanian Foreign Trade Bank and is relieved of his position as deputy chairman of the State Committee for Prices.

Article 2—Comrade Eugeniu Goga is appointed deputy minister of finance.

Article 3—Comrade Stelian-Dan Marin is relieved of his position as vice president of the Romanian Foreign Trade Bank.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 11 January 1988

No 2

/06662

**Deputy Ministers for Contracting, Acquisition of Farm Products**

27000056f Bucharest BULETINUL OFICIAL in Romanian Part I No 2, 20 Jan 88 p 16

[Text] Article 1—Comrade Ioan Oancea is appointed deputy minister for contracting and acquisition of agricultural products and is relieved of his position as deputy minister for the food industry and for the acquisition of agricultural products.

Article 2—Comrade Ion Radulescu is appointed deputy minister for contracting and acquisition of agricultural products.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 18 January 1988

No 4

/06662

**Peoples Councils Appointments in Mehedinti, Giurgiu**

27000056g Bucharest BULETINUL OFICIAL in Romanian Part I No 2, 20 Jan 88 p 16

[Text] On the basis of Article 97 of Law No 57/1968 on the organization and operation of the peoples councils, the President of the Socialist Republic of Romania decrees:

Article 1—Comrade Gheorghe Stoica is delegated to fill the position of first deputy chairman of the executive committee of the Mehedinti County Peoples Council.

Article 2—Comrade Valeriu-Mircea Isbasoiu is delegated to fill the position of deputy chairman of the executive committee of the Giurgiu County Peoples Council.

Nicolae Ceausescu

President of the Socialist Republic of Romania

Bucharest, 19 January 1988

No 6

/06662

**New Foreign Trade Units for Agricultural Products**

27000056h Bucharest BULETINUL OFICIAL in Romanian Part I No 3, 23 Jan 88 pp 1, 2

[Council of State Decree on measures to improve foreign trade activity in the field of agriculture, the food industry, and the contracting and acquisition of agricultural products]

[Excerpts] The Council of State of the Socialist Republic of Romania decrees:

Article 1—On the basis of the present decree, the following enterprises are established:

a) The "Fructexport-Agroexport" foreign trade enterprise, with headquarters in Bucharest Municipality, directly subordinate to the Ministry of Foreign Trade and International Economic Cooperation and subordinate to the Ministry for Contracting and Acquisition of Agricultural Products;

b) The "Romagrimex" foreign trade enterprise, with headquarters in Bucharest Municipality, directly subordinate to the Ministry of Foreign Trade and International Economic Cooperation and subordinate to the Ministry of Agriculture.

The "Fructexport-Agroexport" and "Romagrimex" foreign trade enterprises are established by dividing up the "Fructexport-Romagrimex" foreign trade enterprise,

which is being abolished, and by the assumption of the activity of the "Agroexport" foreign trade enterprise, which is being abolished, by the "Fructexport-Agroexport" foreign trade enterprise.

/06662

**YUGOSLAVIA**

**Negative Trends Following Serbian Eighth LC CC Plenum Noted**

28000064 Zagreb DANAS in Serbo-Croatian  
1 Dec 87 pp 15-16

[Article by Ratko Rodic: "The Rank and File Is Demanding Differentiation"]

[Text] "It did not go all the way, as we Communists 'below' had hoped. We chased the rabbit, as it was put by Comrade Vlado Stojiljkovic in a meeting of the Central Committee, but I think that we must also drive out the wolves. In my opinion there is no place in the Serbian LC Central Committee for any of the comrades, from Ivan Stambolic on down, who were in favor of the positions taken by Dragisa Pavlovic." This is the way that Zivota Petkovic defended the need for a new stage of "differentiation" in the republic political leadership in a meeting of the Pozarevac Opstina Committee of the LC. Branislav Jovanovic, chairman of the opstina committee, was on a similar wavelength, saying that Communists who were in the minority concerning the removal of Dragisa Pavlovic must bring their opinions into line with the (then) majority. Otherwise....

These are, of course, only illustrations from party life "at the grass roots" which following the Eighth Plenum of the Serbian LC Central Committee has more and more been taking on the character of a showdown with those opinions which do not fit in the trend of current policy. Expressions in favor of the line of the eighth plenum are being presented even as harsh opposition to the minority opinion and in particular to the individuals who supported it. Thus the demand for differentiation, which as a principle is not in dispute, is in the current party campaign turning more and more frequently into a demand for withdrawal of all those distinguished individuals who showed understanding for the positions advocated and defended by the former chairman of the Belgrade City Committee of the LC. The struggle between lines, between differing options, is seen on the surface as a struggle between individuals who obviously have differing opinions and differing aspirations. Where will the struggle end? It seems that the debates in the opstina and basic organizations have strengthened the positions of those who favor a decisive differentiation that would soon—the scenario is becoming increasingly evident—have to reach key people at the top of the government of SR Serbia.

The debate in party organizations has been held on the basis of the conclusions of the Presidium of the Serbian LC Central Committee which obligated them on 23 October to "arrive at concrete evaluations of their work in the past and fight decisively to resolve the main economic and political problems of society by developing democratic relations and strengthening responsibility, the political-ideological unity, and the unity of action of the League of Communists in conformity with the views of the Eighth Meeting of the Serbian LC Central Committee." The debate on that basis sent down to the "grass roots" did not, it is true, affect the entire lower level of the party, since Communists in Vojvodina and Kosovo were not included in that party plebiscite (which has evoked various comments, but not yet any official explanation).

### Resignations Are Being Demanded

The high degree of determination of the leadership of the League of Communists of Serbia to set in motion a broad (nationwide) action to halt the adverse social developments, above all in the domain of halting the crisis and resolving the counterrevolutionary situation in Kosovo, is clearly recognizable in the reports sent to the "field." Emphasis, however, was placed on responsibility, as is confirmed by the discussion that has been conducted so far. According to the reports from the "grass roots" being published every day by the Belgrade media (radio, television, POLITIKA, and EKSPRES), the greatest publicity has been given to the theses and desires for carrying out a "differentiation" with those who remained in the minority at the Eighth Plenum of the Serbian LC Central Committee.

The meeting of the Kragujevac Opstina Committee of the LC was particularly characteristic in this regard. Several discussants, who were later quoted at length in the press, favored removal of all members of the Central Committee who did not vote with the majority at the eighth plenum.

Similar intonations could be heard in Leskovac, where Momcilo Stojanovic, chairman of the opstina committee of the LC, took a decided attitude toward the minority, specifically calling out the name of Vukoje Bulatovic, vice chairman of the State Presidency of SR Serbia, a man who comes from that region. "Without disputing the right under the bylaws to express differing opinions," Stojanovic nevertheless did so when he said that "he did not accept (Bulatovic's) statement in the discussion" and that he stood apart from the views which Bulatovic advocated "because they did not contribute to a communist examination of the issues in the meeting, but uncritically defended behavior which could not be defended."

In addition to Vukoje Bulatovic, he also mentioned the name of Milos Stosic, chairman of the interopstina committee, for not having made a public declaration after the eighth meeting, and then the names of Risto

Antunovic and Mirko Perovic for what they had to say in the discussion in a meeting of the Council of SR Serbia (Antunovic and Perovic spoke harshly about the course adopted at the eighth plenum). Thus the naming of names is spreading like concentric circles.

The partywide discussion organized in order to obtain the "position of the grass roots" and its support for the further process of differentiation will come to an end in early December. Probably there will also be new demands for "differentiation." As things have developed so far Ivan Stambolic, chairman of the State Presidency of SR Serbia, has been at the epicenter; in a meeting of the Priboj Opstina Committee of the LC Uros Bukvic wondered out loud about him: Could he remain any longer in that office? The line of division at the Eighth Meeting of the Serbian LC Central Committee is also being confirmed in the current discussions, and the leaders of the government are under attack, not only Stambolic, but also Branislav Ikonc (president of the Assembly), Vukoje Bulatovic, Desimir Jeftic, Borisav Srebric...who voted against the decisions of the Presidium of the Serbian LC Central Committee. The question of their responsibility is being raised in a passionate and almost euphoric way. "Following the Eighth Meeting of the Serbian LC Central Committee we in the League of Communists no longer feel ourselves to be alone and depressed," said Dr Milan Cukovic, a professor who is a member of the basic organization of the LC of the third local community in Vracar, in the discussion, as recorded by POLITIKA. "It is no wonder that Communists and revolutionaries, Marxists and creators are gratified by the sobering up that is following from the discussion and conclusions of that meeting. In saying this, I am referring to what is happening in this regard in Kosovo. That is why it surprises me that Ivan Stambolic and certain others do not see where their commitments have been leading and the kind of commitments we have been presented by means of that meeting. Were I in their place, I would submit an irrevocable resignation." For some people the resignation is just a suggestion, while for others it is an imperative, an urgent demand. Thus Sava Jovicevic, member of the Stari Grad Opstina Committee of the LC, said: "I believe Ivan Stambolic should be held accountable. I heard him on television when he spoke to the workers in Cacak who were on strike. At that time he mentioned the Sixth Meeting of the Serbian LC Central Committee. He must also say whether he will be carrying out the positions taken by the Eighth Meeting of the Serbian LC Central Committee."

### If It Had Not Been for the Letter...

When the case of Dragisa Pavlovic was settled unfavorably for him, many people put the question: When would it come around to Ivan Stambolic (seen in some interpretations as his defender, in others as a man of like mind)? It now seems to have come around to the present chairman of the State Presidency of SR Serbia: recommendations from the field that he step down so as not to have to be recalled, backed up by the initiative of the

Presidium of the Belgrade City Committee of the LC which charged Stambolic with having "sent a secret letter to be read in a closed meeting of the presidium" (of the city committee) and for "having calculated that the method of pressure, based on the prestige of the office he holds, would stand in the way of democratic discussion of the responsibility of Dragisa Pavlovic which is indispensable in the League of Communists of Belgrade." After the closed meeting, in a report handed out to the newspapers, the Presidium of the Belgrade City Committee of the LC entered into such details as that Stambolic and Pavlovic were in "close relations," emphasizing that its members (i.e., members of the presidium) "still were unable to understand how Stambolic could have gone so far in his biased support that he would come into conflict with the principles of the League of Communists."

What does the letter say, is the dispute over its content or over the method (that is, the form) chosen by a person in a position of high and responsible leadership? At present, we do not know what Stambolic wrote to Pavlovic, what sort of "services" he possibly offered or what kind of advice he gave. Be that as it may, that letter was at the least a heedless move which is now being used as the crowning evidence of the existence of some private line whereby Stambolic was both father and godfather (would there have been any other evidence without the letter?). Stambolic said in the discussion at the Eighth Meeting of the Serbian LC Central Committee that he was "horrified that someone should think that criticism of Serbian nationalism could be an expression of resistance to carrying out the conclusions concerning Kosovo," and that a portion of what Dragisa Pavlovic said to the editors-in-chief, when he spoke critically about Serbian nationalism as a real danger, motivated him to write a letter to members of the presidium of the city committee. "I am informing them in the letter about my agreement with Pavlovic's principal assessments and express my surprise at the fact that this could bother anyone at all." Stambolic saw another reason for the letter in the fact that the meeting of the presidium with Dragisa Pavlovic as an item on the agenda had already been scheduled. "I wanted in my letter to eliminate the possibility that anyone would think that I also took part in that agreement if in fact there were any agreements."

What Stambolic meant by the letter and what he achieved by it are two different things. Even at the Eighth Meeting of the Serbian LC Central Committee there were several discussants from the ranks of the majority who interpreted the letter as a form of pressure, as an impermissible form of string-pulling, and so on, and after the first round of the public discussion Stambolic's act (the letter) was viewed unfavorably—to the effect that by it "he had directly caused great harm to the process of democratization and prestige of the League of Communists with the public," that he "by this act of his had lost the indispensable prestige among Communists and that this act of his was morally and politically incompatible with the office of chairman of the State

Presidency of SR Serbia." Anyone who knows how to read will easily draw his conclusion as to what follows that kind of assessment even if there had not been similar experiences, from Dragisa Pavlovic all the way to Mihajlo Eric, who was the third important victim on what is commonly referred to as the nonexistent list of 170 names of journalists (following Dr Ivan Stojanovic and Mirko Djekic).

### The Fate of Individuals

But Ivan Stambolic is not alone on the list of possible resignations, removals, recalls, or at least the naming of names. In addition to the republic government officials already mentioned, others "on ice" are also members of the Presidium of the Serbian LC Central Committee Momcilo Baljak, whose name was named in several places as one who supported the course of the eighth meeting, and Dr Vaso Milincevic, a prestigious university professor who is not being hit like a boomerang by what he said in the discussion at the eighth meeting about the "aggressive minority" at Belgrade University. That is, the presidium of the university committee of the LC took the initiative to remove Milincevic as a member of the presidium, and in view of the balance of power and the way people are thinking, this will quite certainly end as the initiators wish it. Nor is there peace any longer for Dr Ivan Stojanovic, who was the first to pay the price for the situation in the Work Organization—Politika, through a procedure and in a manner unprecedented for us (in just 9 months he managed to display and prove his irresponsibility and incompetence sufficient for removal). The presidium of the university committee demanded that he present new "self-criticism" and that he himself submit his resignation as a member of the LCY Central Committee (since that would be "most expedient"). Stojanovic was given 3 days to think over such a major decision of whether he himself would take shots at his own political reputation or would leave that to others stronger than him. If he did not submit his resignation, he might be removed (once again)! But that plan could also become complicated, since the present membership of the LC Central Committee—on the basis of the slates submitted by the republic and provincial organizations—was elected at the 13th LCY Congress. That could be a reason or occasion for the LCY Central Committee to conduct a debate at the least of its member Ivan Stojanovic, if not certain broader aspects of his case.

Radisa Gacic, secretary of the Presidium of the LCY Central Committee, was also on the list of names that were named, and he also might be a topic to be raised, but also an occasion for the question: Where is this leading? Is it possible to justify a position concerning differentiation on the basis of activity that turns it into an unfounded practice of naming names on the basis of (differing) opinions? Incidentally, the critics and name namers have targeted not only those individuals who are in power—in the government or party—and who think differently about the course of the eighth meeting, but

also its principal participants. They have also targeted individuals who are not today in the foreground of politics, but stated certain qualifications about that course either in the meeting itself (Spiro Galovic) or later in a letter (Bogdan Bogdanovic). The former mayor of Belgrade, a distinguished architect, cannot be accused of being involved in any struggle for power (for an idea—yes), but he is being accused of being a “drawing room Communist” who takes a deprecating attitude toward members of the Central Committee who do not wear suits made of luster (basic organization of the LC of the Mihajlo Pupin Institute). POLITIKA, however, has been publishing a series of letters in which comments are made (often in quite bad taste) on the theses contained in Bogdanovic’s text/letter under the title “Linguistic Traps of Stalinism,” and in such a way as to land “Stalinistic jabs” to the effect that he is a “leftwing intellectual” (in quotes)....

The events in the League of Communists of Serbia impose the question: How is the principle of democratic centralism functioning in practice? What is the place and the destiny of the individual in it? Certainly we cannot dispute the right or indeed the obligation of the party leadership and of the entirety of SR Serbia and the League of Communists of Yugoslavia to be concerned about implementing the principle of democratic centralism. But it is a matter of some moment in this that clear party and democratic standards exist and are necessarily respected so that the demands for differentiation are not turned into trials in which people are judged for their opinions.

In the section of the LCY Bylaws that deal with relations in the party and the principle of democratic centralism (Article 29, Paragraph 7) the rule is stated that it is “the obligation of members of the League of Communists

who when a decision is made in the basic organization or body remain in the minority, while freely expressing their own opinion, shall consistently and creatively carry out the decisions of the majority, which is incompatible with any activity whatsoever that would impeded or hinder the united action of Communists in carrying out the decisions made in that manner, anything that would represent a form of groupism or factional activity.” The obligation of the minority to respect and carry out the positions adopted by the majority, along with the right to retain their opinion, is also envisaged by Article 22 of the Bylaws of the Serbian LC.

It is clear, then, in what case party penalties come into consideration, when by activity (not by opinion) they frustrate the policy the majority has voted for. In the current partywide discussion, however, the order of things seems to have been turned around; individuals and certain communities seem to be racing to see who can name more names, the news media zealously carry them, and none of the responsible individuals or bodies offers opposition in the name of full respect for the conformity of party activity to the bylaws, in the name of defense of the right to hold an opinion (before conclusions are adopted).

When the bylaws are violated, that is not just a matter of a standard or a form. After all, after rights and obligations under the bylaws have been violated, other more important violations and offenses can occur. Thus without disputing either the right or need for differentiation in the League of Communists (of Serbia and of Yugoslavia), it would be good to bring differentiation back within the limits of the bylaws so as not to go down a wrong road on which neither a man nor his opinion are respected.

07045

## HUNGARY

### CEMA Economics: 'Crisis Instead of Cycles?'

25000076 Budapest KOZGAZDASAGI SZEMLE  
in Hungarian No 12, 1987 pp 1409-1434

[Article by Tamas Bauer, academician candidate, chief scientific associate at the Economic Sciences Institute of the Hungarian Academy of Sciences. Bibliographic references (designated as "BR" in the text) and tables appear at the end of the article.]

[Text] In a book published a few years ago (BR 1) I described in detail the investment cycles that may be observed in the economic growth of European CEMA countries, and tried to provide a theoretical explanation for these phenomena. The chronological description ended in 1979 regarding countries that operate plan-directive economies, and in 1967 with respect to Hungary. By accident, the completion of research coincided with the second oil crisis, as a result of which some profound changes took place in the international conditions for economic growth in the countries examined. In light of the economic development of the 1980's one must raise the question whether the cyclical developmental characteristic we observed in earlier decades ceased to exist after 1979.

In this article I will first briefly summarize my conception of the cyclical nature of the economy as that can be observed in East European planned economies, then continue with the review of post-1979 developments, correlating new developments with the theoretical framework. (Footnote 1) (This article was made possible by the fact that between 1984 and 1986, in the framework of several trips, I spent altogether 10 weeks at the Vienna Institute of Comparative International Economics. I take this opportunity to once again express my appreciation to Institute director Gerhard Fink, and his associates. I am also indebted to Gyula Bock and Andras Koves for their valuable comments on this article's manuscript.) The book covered only those countries which managed their economies on the basis of plan directives. Post-1968 Hungarian developments were thus excluded. In this article I am discussing Hungarian developments also. (Footnote 2) (In those days I abandoned the idea of analyzing post-1968 Hungarian developments with the understanding that according to a preestablished division of labor such analysis would be provided by Karoly Attila Soos. But since Soos' excellent book has been published in the meantime (BR 22) I am free to encourage the reader to study that book.)

#### Cyclical Mechanism: A Brief Overview

In the traditional economic management system of European CEMA countries—i.e. in directly planned economies—every unit of the economy is part of an all-encompassing hierarchy of economic management. There is a peculiar interrelationship between the various plans drawn up and approved at various levels of the

hierarchy. The validity of each plan is based on the mutual assumption that the plan at the other (lower or higher) level is also valid. Relationships are established by virtue of the fact that higher level plans are being broken down into lower level plans; at the same time, however, higher level plan proposals are based on lower level plan proposals which progressed upward by way of summarization. The plans contain advance achievement indicators (e.g. production values, exports targets, time schedules for operational readiness based on investments) and resource utilization possibilities (e.g. number of employees, wage distribution, material utilization, import requirements, targeted investments). Within this system the resources, including investments, are earmarked for distribution. The process of investment allocations is complemented by an approval process concerning each individual investment proposal.

Accordingly, from the viewpoint of enterprises, investments represent benefits. Realization of the investment proposals advanced by enterprises is limited only by the organs of economic direction which are external to enterprises. Such limitations are accomplished in part by 5-year, annual or quarterly earmarkings, and in part by individually judging each investment proposal.

Enterprises and mid-level management organs utilize a number of methods to circumvent or to frustrate the central regulatory scheme for investments. These include insistence on complying with the requirements of the plan, deliberately planning for below realistic levels, etc. Reliance on such methods is based on the immanent features of directly planned economies and is related to the peculiar features of investment activities. Considering the economic mechanism as a given factor, it would be difficult to eliminate the application of these methods. As a result, people's economy investment plans are tense in every planned economy: much larger sums should be budgeted for investments in order to realize at a normal pace all that is being planned. This tension is resolved by scattering the investments, or by excessively increasing the volume of investments, or a combination of both.

When I speak of the scattering of investments, I have in mind situations in which investments in progress increase excessively as compared to investment fulfillment in the same period. Under these conditions individual investments are allotted less than the necessary amounts, numbers and quantities of money, people, building materials, etc. respectively, and thus completion of the various projects and the operational readiness of individual investment objects will be delayed. Scattering results from the fact that too many investments are started at the same time; in order to reduce scattering, additional investments must receive reduced levels of funding or a pause must be declared in regards to further investments. This then results in a wave-like behavior in the start of new investments and in the funding of ongoing investments.

By using the term "increasing the volume of investments" I mean situations in which investments expand to the detriment of either consumption or the foreign trade balance. Tensions that emerge in the contexts of either consumption or the international balance of payments sooner or later force a reduction in the growth of investment allocations. It is in this way that a wave-like behavior emerges in the volume formulation of investments.

Within the distinct four-phase pattern of planned economy investment cycles both wave-like behaviors (one related to investment starts, the other to the volume of investments) appear with a one-phase delay. [The four phases of the economic cycle are: (1) invigoration, (2) upswing, (3) stopping short, and (4) decline.]

In the first phase of "invigoration" there is a relatively large number of new investment starts but the rate of increase in completed investments is still relatively low. In this phase the growth in funding of ongoing investments accelerates, and the scattering of investments becomes more pronounced. Economic management is under pressure to permit faster growth of the volume of investments. Since in this phase the volume increase is still in a relatively balanced state, organs of economic management do not see why they should counter this pressure.

In the second phase of "upswing" we continue to witness many new investment starts. At the same time, however, the volume of investments also increases rapidly. New investments compete with earlier investment starts for a larger share of the investment quota. Under this scenario, in all likelihood, the growth in the volume of investments will exceed planned levels. Investment capacity shortage and the proportion of accumulations is on the increase. This results in a decline in consumption growth and/or in a deterioration of the foreign trade balance.

The increased scattering of investments and the shortage of investment capacity prompts economic management to limit new investment starts while continuing to press for the earliest possible completion of ongoing investments. This is the phase of "stopping short." New ideas for investment starts continue to be advanced forcefully, but only a smaller proportion of these ideas is approved. At the same time, no limitations on the growth of the investment volume are imposed: forced growth continues, but a shortage of investment capacity frequently blocks the realization of these plans. In this way the planned reduction of investment scattering does not materialize either. Even though the increase in investment volume is not large enough to increase the investment capacity and to reduce scattering, it is large enough to encourage the emergence of tensions in the people's economy as a whole—tensions resulting from the high level of investments.

This then prompts the government to restrict not only new investment starts, but also the funding of ongoing investments, and through that the growth rate of the people's economy. This takes place in the "decline" phase.

If the increase in investments during the "upswing" and "stopping short" phases accelerates to the detriment of consumption, and conversely, if the decline in investments frees resources to boost consumption, we may characterize the cycle as "consumption-symmetric." If, on the other hand, the simultaneous growth of both investments and consumption takes place to the detriment of the foreign trade balance, and the decline manifests itself in the simultaneous slowdown of the growth rate of both investments and consumption—permitting an improvement in the foreign trade balance—the cycle may be characterized as "foreign trade-symmetric."

In either case we are dealing with the indirect regulatory feedback effect of investment volumes. The accelerated increase in investments deteriorates the condition of the regulators themselves, these being consumption and the foreign trade balance. It is deteriorating consumption and a deteriorating foreign trade balance that prompts the government to restrain investments. As a result of a slowdown in the growth of investments, the condition of the two regulators improves. The improvement prompts the government to relax the central restraint on new investment proposals, and thus the entire process repeats itself.

In addition to the feedback effect, the "continuity function" also plays a role in these economic movements. The "continuity function" provides linkage between the two types of wave-like behaviors: those pertaining to investment starts and to the completion of investments. Improvements in the condition of the regulators, i.e. the relaxation of tensions, first results in increased investment starts. By virtue of the influence exerted by the "continuity function," this produces an accelerated increase in investment volumes.

These cyclical changes are propelled by a continuous urge to invest. The intent to bring about improvements through investments is manifested by enterprises, and in some cases by ambitious organs of central economic management. This intent is restrained (in part self-restrained) by central management, but the force of that restraint varies according to prevailing economic conditions.

These fluctuations in the force of restraint have an effect on other processes of the people's economy also: they bear influence on industrial production, construction industry production, on material usage, on imports, wages, and employment, as well as on savings set aside by the general public. The latter effects are mostly of a residual character as compared to the fluctuation of investments.



The cyclical nature of the economy may then be summarized as follows:

—economic cycles are produced by periodic conflicts that emerge in the context of investment tensions;

—fluctuations reproduce themselves; an “upswing” establishes the conditions for restraint and the same is true in the reverse;

—the cyclical mechanism is based on peculiar features that may be found in the reproduction of fixed assets;

—the driving forces and the “continuity function” are derived from the basic features of the economic mechanism; and

—the economic cycle, and the “decline” phase of the economic cycle, is a normal, functional part of the system (there is economic growth within the average economic cycle) which does not represent a crisis in the context of the overall system.

Within the overall system, tensions flowing from investment practices do not necessarily emerge in the framework of economic cycles, and particularly not clearly in the framework of the four phases of the economic cycle. The same tensions which periodically emerge in the small CEMA countries sometimes in sharp contours and at other times in a faded fashion, also permanently characterize the Soviet economy. Except for the fact that in the Soviet Union these cyclical changes did not produce measurable investment fluctuations during the post-war decades.

#### Post-1979 Developments

Since 1979 the most apparent phenomenon related to our analysis in the six small CEMA countries is the fact that in our days absolute decline has become characteristic, while previously one could distinguish only between faster or slower changes in growth, and negative growth patterns (in 1956-1957 in Hungary, and in 1962-1963 in Czechoslovakia) were the exceptions. The Polish case is well known: the unprecedented upswing during the first half of the 1970's produced investment growth rates in excess of 20 percent in three consecutive years. This was followed by a virtual mirror image of that phenomenon in the form of decline during the early 1980's. Between 1980 and 1982 the volume of investments decreased by 12 percent each year, following a 9 percent decrease in 1979. During the four year period beginning in 1979 both the national income and domestic consumption showed a consistent decline.

Poland stood out in this respect only because of the extent of the decline. Absolute declines were experienced by other countries also. In Hungary we find that in 1980, and again between 1982 and 1985 for four consecutive years, investment volume and domestic consumption shrunk consistently. Romania, which in earlier years

achieved the highest growth rate, also moderated its investments in certain years and experienced a decline in domestic consumption. Negative growth rates were experienced even in the GDR: for two years (1982 and 1984) reduced-level investments were made, and in one year (1982) domestic consumption declined.

The absolute decline was not limited to investments. Poland was not the only country to reduce real wages. Hungary's real wages were reduced five times in five different calendar years, and Czechoslovakia's and Bulgaria's in two calendar years each. The GDR does not publish real wage data, nor does Romania, as of recently. Based on real income and consumption figures, however, we may assume that real wages dropped in one or two calendar years also in those two countries.

Negative growth patterns did not evolve spontaneously. In most instances the plans called for such patterns. In several instances Czechoslovakia's, Poland's, Hungary's and Romania's annual plans provided for reduced investments (see Table 9), and it is likely that the same thing happened in Bulgaria and the GDR also. With respect to the latter countries published plan data do not clearly reveal this fact.

Beginning in 1983 the situation had changed in certain countries. Signs of economic invigoration appeared in Czechoslovakia, Poland and Romania in 1983-1984: the growth rates for production and national income accelerated, and from the standpoint of utilization, so did the rate of increase in investments and consumption. The trend has turned around also in Hungary with respect to utilization. In 1984-1985 the rate of decline slowed down, and in 1986 domestic consumption showed an increase. Politicians and economic functionaries throughout Eastern Europe discussed ways by which the difficulties could be overcome, and raised the possibility and need for acceleration. Thus the question arises: are we really witnessing a cyclical invigoration and an upswing?

#### Decline

At first glance it seems that the six-nation decline in investments and domestic consumption during the early 1980's confirms our view of the cyclical nature of investments. We are aware of the fact, however, that external factors also played an important role in the decline. A number of observers, including this writer, are of the opinion that decline is a symptom of a deep-seated structural crisis in East European planned economies. (Footnote 3) (See: e.g. the study by Kosta and Levčik (BR 13) and my article (BR 2).)

It would seem that the nature of the decline may be judged only on the basis of more thorough examination.

Insofar as Poland is concerned, the investment and national income decline that began in 1979, quite obviously can be attributed to what Waldemar Kuczynski

Table 1.

Select Economic Indicators in CEMA Countries (Annual Increments in Percentages)										
Description	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>Bulgaria</b>										
Investments	0.6	14.2	0.6	-2.2	7.5	10.5	3.6	0.7	0.3*	8.6*
Industrial Prod.	6.8	6.8	6.9	5.4	4.2	4.9	4.6	3.9	4.2	3.2
National Income	6.5	6.3	5.6	6.6	5.7	5.0	4.2	3.0	4.6	1.8
Real Wages	0.8	0.4	0.4	1.5	-0.2	4.7	2.2	-2.2	3.2	1.2
<b>Czechoslovakia</b>										
Investments	4.0	5.7	5.5	1.8	1.4	-4.6	-2.3	0.5	-4.2	5.4
Industrial Prod.	5.5	5.6	5.0	3.7	3.5	2.2	1.0	2.9	3.9	3.5
National Income	4.1	4.2	4.1	3.1	2.9	0.1	0.2	2.3	3.5	3.0
Real Wages	2.0	1.8	1.5	-0.5	-1.0	0.6	-2.3	0.8	0.8	0.3
<b>Poland</b>										
Investments	1.0	3.1	2.1	-7.9	-12.3	-22.3	-12.1	9.4	11.4	6.0
Industrial Prod.	9.3	6.9	4.9	2.7	0.0	10.8	-2.1	6.4	5.2	4.5
National Income	6.8	5.0	3.0	-2.3	-6.0	-12.0	-5.5	6.0	5.6	3.4
Real Wages	3.9	2.3	-2.7	2.0	4.0	2.3	-24.9	1.1	0.5	3.8
<b>Hungary</b>										
Investments	-0.1	13.0	5.0	1.0	-5.8	-5.1	-2.2	-3.0	-2.9	-2.3
Industrial Prod.	4.6	6.6	4.9	3.0	-2.0	2.8	2.7	1.4	3.2	1.1
National Income	3.0	8.0	4.2	1.9	-0.9	2.5	2.6	0.3	2.5	-1.4
Real Wages	0.1	3.8	3.1	-1.7	-1.8	-1.1	-0.7	-3.2	-2.4	1.3
<b>GDR</b>										
Investments	7.4	5.6	2.8	1.4	0.3	2.7	-5.2	0.0	-4.9	3.7
Industrial Prod.	5.9	4.8	4.8	4.6	4.7	4.7	3.1	4.1	4.2	4.4
National Income	3.5	5.1	3.7	4.0	4.4	4.8	2.6	4.6	5.5	5.2
Real Income	4.5	5.3	3.5	4.8	4.3	4.5	1.9	1.3	4.5	5.2
<b>Romania</b>										
Investments	8.4	11.6	16.0	4.1	3.0	-7.1	-3.1	2.4	6.1	n/a
Industrial Prod.	11.4	12.6	9.0	8.1	6.5	2.6	1.1	4.7	6.7	n/a
National Income	8.6	7.5	6.2	2.9	2.1	2.2	2.7	3.7	7.7	n/a

\* At current prices

Source: national statistical yearbooks.

called the "Great Leap" of the early 1970's (BR 14). The huge debt accumulation of the 1970's had little to do with world market price changes. This can be seen from the fact that in Poland's non-socialist trade exchange ratios did not deteriorate. The exchange ratio index of 1978 was 5 percentage points higher than it was in 1972 (see Table 2). The proportion of national income accumulation, however, increased from 21 percent in 1971 to 34 percent in 1975, while

the ratio of external consumption (export surplus) dropped from +3.2 percent to -6.7 percent, i.e. almost 10 percentage points, as compared to the national income. Accordingly, it is clear that the change that took place prior to the enforcement of investment restraints had domestic origins.

As stated in my book (BR 1), during the second half of the 1970's Czechoslovakia disrupted an evolving investment upswing because of a substantial loss in exchange

Table 2.

Description	Exchange Ratio Variations (in Percentages)													
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>Bulgaria (1970=100)</b>														
Total	97.6	97.2	96.1	94.1	89.5	86.6	81.6	78.1	74.8	69.5	64.5	64.8	62.3	64.7
Socialist	..	..	..	94.5	87.8	84.8	80.3	76.5	72.4	65.1	59.5	59.1	58.3	60.5
Non-socialist	..	..	..	103.1	103.8	97.6	94.9	92.1	89.2	88.9	87.5	93.7	88.7	91.8
<b>Czechoslovakia (1967=100)</b>														
Total	102.8	101.7	100.8	95.7	93.2	90.6	88.8	87.2	87.0	83.3	80.5	77.3	74.1	71.2
Socialist	97	98	98	89	88	87	83	82	81	77	73.3	69.2	..	..
Non-socialist	107	101	103	104	101	91	94	92	93	90	90.4	90.8	..	..
<b>Poland (1970=100)</b>														
Total	106.2	103.1	102.6	102.4	108.0	105.5	105.5	102.9	100.4	93.5	96.8	92.9	92.4	93.5
Socialist	102.7	103.4	102.6	98.8	100.8	98.5	96.8	94.1	92.0	90.0	87.2	84.7	84.4	83.4
Non-socialist	113.8	108.7	116.5	119.1	117.4	115.8	118.2	117.5	116.2	116.1	120.2	113.5	111.3	118.3
<b>Hungary (1970=100)</b>														
Total	97.9	96.6	89.4	83.1	84.9	82.0	81.5	80.1	80.3	79.7	77.9	75.9	74.3	73.6
Ruble Settlement	96.3	96.6	97.0	88.5	86.6	84.0	82.1	80.7	79.8	76.7	74.3	72.3	70.8	70.5
Non-ruble Settlement	100.6	98.1	83.6	77.8	83.0	79.9	80.6	79.6	80.7	82.5	81.6	79.7	77.9	76.8

Source: national statistical yearbooks and the data bank of the Vienna Institute of International Economic Comparisons (WIIW)

ratios. Between 1972 and 1978 deteriorating exchange ratios effectively reduced Czechoslovakia's non-socialist trade proceeds by 12 percent and its socialist trade proceeds by 14 percent.

Already between 1972 and 1974 one finds a deteriorating Czechoslovakian trade balance, but 80 percent of that deterioration was a result of quantitative changes in exports and imports, and only 20 percent may be attributed to price changes. Subsequently the situation changed, however. Between 1975 and 1978, in both of Czechoslovakia's main trade relations there emerged a foreign trade deficit. But based on 1974 prices, the same volume of merchandise trade would have produced a huge trade surplus in Czechoslovakia's socialist trade, and her deficit would have been smaller in the context of non-socialist trade. (Thirty-seven percent of the actual deficit in 1977, and 22 percent in 1978.). Accordingly, the deterioration of Czechoslovakia's foreign trade balance between 1974 and 1978 must not be related to investment growth, or if so, it is so related only to a minimal extent.

We arrive at the same results if we analyze the proportions of national income utilization. The ratio of net investments between 1974 and 1978 increased only from 20.7 percent to 21.4 percent, and operating capital shows a reduction from 4.1 percent to 0.7 percent. At the same time, however, the ratio of external utilization (export surplus) to national income (based on comparable price data) increased from -1.4 percent to +2.3 percent. Accordingly, the investment restraints in Czechoslovakia between 1979 and 1982 must not be viewed as a cyclical phenomenon.

Hungary's experience falls halfway between the Polish and the Czechoslovakian examples. The 1979 restrictions were preceded by a typical investment upswing. Following the 1974-1975 upswing, investments were restrained in 1976, but that restraint was followed by a large-scale upswing, which was accompanied by an increased growth of inventories in 1978. The accumulation ratio increased by more than 10 percent, while the ratio between export surplus and national income dropped greatly, even if one calculates these figures at comparable prices. (Considering 1971 prices the reduction amounts to 7.4 percent. At 1981 prices it is 9 percent.) A substantial trade deficit would have evolved even if export and import prices had remained stable at their 1972 levels. Considering 1972 constant prices, the deficit would have amounted to only 11 percent of the actual deficit between 1974 and 1985, and to 15 percent in 1978. At the same time, Hungary experienced approximately the same size loss in exchange ratios as Czechoslovakia. Between 1972 and 1978 Hungary's trading posture deteriorated by 17 percent in socialist trade, and by 15 percent in non-socialist trade, due to changing exchange ratios. Accordingly, in Hungary's case the deterioration of the trade balance, the upturn in investments and the change in exchange ratios took place simultaneously. Following the 1979 investment restraint there was a cyclical decline also, but there was more to it.

The GDR and Romania do not publish data concerning exchange ratios or the volume of foreign trade. For this reason we must deduct relevant conclusions from different sets of data.

The GDR's mild slowdown in 1974-1975 was followed by a moderate increase in the investment growth rate in 1976-1977. During the first two years of the 1976-1980 five year plan, completed investments increased at an annual rate of 6.9 percent, as contrasted to a 4.8 percent increase during the previous two years and to the 6.5 percent projected investment growth rate reflected in plans. Domestic utilization exceeded national income somewhat; this played a certain role (although by all means a secondary role) in the rapid trade balance deterioration. During the period 1976-1980 GDR leadership insisted on having an even, fast pace of growth, in spite of the fact that due to exchange ratio variations the GDR had suffered substantial losses already between 1973 and 1975. The leadership finally decided to restrain investments. It did so through restrictions mandated in the 1978 and the 1981 plans, as well as in the 1981-1985 five year plan. At that point the GDR leadership was confronted with external changes on the one hand, and with the joint adverse consequences of multi-year investment growth on the other.

In a manner similar to Hungary, Romania also had two periods during the 1970's in which investments showed an upward trend. These two periods may be defined as the years 1974-1975, and 1977-1978. Romanian trade balance deteriorations also occurred twice, once in 1974 and for a second time in 1977-1979. The 4.2 billion deterioration in the foreign exchange lei balance [the lei value represented in the balance calculated in foreign currency at the official exchange rate] between 1976-1978 can be attributed to a 2.8 billion foreign exchange lei drop in Romania's net machinery exports and to an increase in Romania's net export of consumer goods, reaching the 1 billion level in foreign exchange lei. On the basis of the above data we may venture to assume that the forced growth of investments played a significant role in creating tensions, which in the early 1980's left no choice but to restrain investments.

The 1970's investment fluctuations in Bulgaria did not coincide with those in the other countries observed. In a manner similar to the GDR, Bulgaria's investment growth had come to a halt already in 1978. The decline was not according to the plan. The plan projected a 4-5 percent investment increase in both 1978 and 1979. In reality, however, investments stagnated in 1978, and in 1979 they decreased by 2 percent. In 1979 Bulgaria achieved an active trade balance. (Relative to trade with the Soviet Union and with developed capitalist nations there evolved a moderate and decreasing deficit, while in relation to developing countries the trade balance showed a substantial surplus.) In response Bulgaria once again planned to increase its investments for the years 1980-1982. Investment growth during the years 1980-1981 exceeded planned levels of growth (the volume of

investments increased by 7.5 and 10.5 percent in the two years respectively, and accumulation increased substantially faster than the national income). The rate of increase in consumption, however, slowed down in 1980 (as a result of the November 1979 large-scale retail price increases) and the foreign trade balance again closed with a deficit beginning in 1981.

The fact that the foreign trade balance more or less followed the fluctuation of investments does not mean that Bulgaria was not affected by changes in world market prices. The deterioration of the exchange ratio consumed 16 percent of the traded value between 1972 and 1978, and 15 percent between 1975 and 1978 in the socialist trade context. The same effect between 1970 and 1978 consumed 20 percent of the value. Bulgaria offset its exchange ratio losses by rapidly increasing her exports. (Between 1972 and 1978 the volume of exports increased faster than the volume of imports, by an annual average rate of 2.25 percent. The same difference in Czechoslovakia between 1973 and 1978 amounted to only 1.68 percent, while in Hungary the volume of imports increased faster than that of the exports.) Unlike a majority of CEMA nations, Bulgaria managed to avoid the accumulation of trade deficits. For this reason we can say that fluctuations in the foreign trade balance reflected investment fluctuations.

Reviewing the causal factors which in the early 1980's forced these countries to restrain investments, we find that we are witnessing the joint effects of the traditional, periodic mounting of tensions, and of external shocks.

### Protracted Depression

During the 1950's, 1960's, and even in the early 1970's, a one-year, or at most a two-year restraint on investment growth sufficed to bring an end to the tensions that prompted restraint, or at the minimum they were adequate to substantially relax those tensions. This situation had changed in the late 1970's and early 1980's. As discussed before, the restraint became harsher and lasted longer. Investment volumes were reduced in Hungary over a six year period (1980-1985), in Poland for four years (1979-1982), in Czechoslovakia during a two year period (1981-1982) and then after a year of stagnation for another year, in the GDR in two years between which there was a year of stagnation (in 1982 and in 1984), and in Romania for two years (1981-1982). In Poland the 1982 level of investment was 38 percent lower than in 1978. In Hungary the 1985 level of investment was 22 percent below the 1979 level. In Czechoslovakia the earlier, 1980 level of investments surpassed the 1984 levels by 10 percent, and the same applies to the GDR (1984 versus 1981) and to Romania (1982 versus 1980). The 1983-1984 growth was insufficient both in Poland and in Romania to achieve the level of growth accomplished before.

How can one explain the protracted depression? Why did restrained investments fail to establish conditions for a new recovery? Why did the tensions which prompted restraint fail to relax sufficiently? The tension we are talking about is the absence of a positive trade balance and of a favorable international balance of payments.

Let us review first how the individual components of the foreign trade balance, i.e. balances produced by the exchange of individual commodity categories, took shape. Tables 3A through 3C indicate that the decreased investment growth rate played a role in the improvement of the trade balance related to capital investments. Within Poland's non-socialist foreign trade, for instance, the import surplus of machinery and materials ceased to exist, and beginning in 1980 and 1981 respectively, Poland showed an export surplus in these categories. A year later the same scenario repeated itself in Czechoslovakia. Fixed assets in both countries' socialist machinery foreign trade increased rapidly. Both the increased machinery exports to socialist markets, and the favorable effects of total materials trade with non-socialist markets were offset by the rapid deterioration of the balance in materials trade in the socialist relationship, which was calculated at current prices. And so, even though liabilities stemming from trade with socialist countries were reduced somewhat, those liabilities remained on the books during the years which may be characterized as having a slow growth rate. In a similar manner, Hungarian materials sales also produced deficits. In Hungary's foreign trade of machinery the export surplus increased in the context of socialist trade, and the deficit relative to non-socialist trade decreased. On balance, the deficit produced by total machinery trade turned into a surplus. In the framework of materials trade however, the deficit increased further, and in the non-socialist context, although at reduced levels, it remained a deficit. In a similar manner, a surplus replaced a deficit in Romanian machinery trade, and in Bulgaria the surplus produced by machinery trade increased continuously, while in Bulgaria's materials trade the deficit continued to increase.

It is apparent that one must examine separately the evolution of socialist and non-socialist trade. Tables 4A through 4C demonstrate that restrained investments and the general slow-down in growth produced a spectacular improvement in the trade balance relative to non-socialist trade. The huge deficits ceased to exist and surpluses followed one after another. (In Bulgaria the surplus was sustained.) One or two years of export surplus, however, was insufficient to measurably reduce the debt accumulated in 1978-1979. Interest payable on outstanding obligations continued to increase indebtedness during the four years of restraint (1979-1982) in Poland, during the first three years (1979-1981) in Hungary, and in the first year in Romania. In Czechoslovakia it took two years of moderate slowdown and two years of reduced investments to accomplish a tangible reduction in the

Table 3A

Czechoslovakian and Polish Balances  
in Machinery and Materials Trade

Year	Net Machinery Exports		Net Materials Exports	
	Socialist	Non-Socialist	Socialist	Non-Socialist
Chechoslovakia				
(Millions of Foreign Exchange crowns)				
1978	7,949	-1,718	6,231	-12,019
1979	8,983	- 778	8,205	-13,549
1980	11,121	- 829	10,383	-14,880
1981	15,371	638	16,009	-19,981
1982	18,887	527	19,414	-25,427
1983	20,390	1,925	22,715	-29,937
1984	23,436	1,532	24,968	-33,668
1985	26,196	677	26,846	-36,167
				1,166
				-35,001
				-32,973
				-29,554
				-25,196
				-21,642
				-15,915
				-15,891
				-13,892
				- 2,342
				- 1,873
				- 1,035
				- 1,661
				231
				383
				695
				1,166
				-35,001
				-32,973
				-29,554
				-25,196
				-21,642
				-15,915
				-15,891
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Table 3B  
Hungarian Balances in Machinery and Materials Trade  
(Millions of forints)

Year	Net Machinery Exports		Net Materials Exports		Net Building Material Exports		Share
	Socialist	Non-Socialist	Socialist	Non-Socialist	Socialist	Non-Socialist	
1978	12,547	-32,043	-19,496	-52,313	-45,904	-98,217	-2,635
1979	16,443	-23,730	-7,288	-55,993	-33,192	-89,185	-2,152
1980	17,359	-17,866	-	-55,338	-34,251	-89,589	-2,100
1981	21,106	-19,241	1,865	-60,169	-36,316	-96,485	-2,475
1982	21,137	-14,444	6,693	-66,907	-29,630	-96,536	-3,052
1983	26,777	-14,138	12,640	-73,875	-26,292	-100,166	-3,465
1984	40,598	-17,907	22,690	-81,881	-19,879	-101,759	-3,434
1985	56,377	-24,312	32,065	-91,746	-27,228	-118,974	-3,415

Source: Foreign Trade Statistical Yearbooks.

Table 3C

Bulgarian and Romanian Balances  
in Machinery and Materials Trade

Year	Net Machinery Exports	Net Materials Exports	Net Building Mat. Exports
Bulgaria			
(Millions of Foreign Exchange leva)			
1978	391.1	-2,318.6	90.7
1979	696.8	-2,321.4	101.7
1980	1,052.4	-2,542.4	127.9
1981	1,175.4	-3,439.2	102.7
1982	1,380.4	-4,090.3	103.4
1983	1,627.8	-4,600.5	120.3
1984	1,823.7	-4,987.2	157.7
1985	2,669.3	-5,696.4	112.5
Romania			
(Millions of Foreign Exchange lei)			
1978	- 4,622	- 6,505	458
1979	- 4,260	- 8,367	475
1980	- 1,855	-13,355	533
1981	11,371	-30,424	2,215
1982	18,035	-18,314	2,369
1983	22,428	- 9,981	2,504

Source: national statistical yearbooks.



Table 4A.

Increased Investment and its Effect on Foreign Trade Balance  
and on Indebtedness in Czechoslovakia and Romania

Year	Invest- ment	Domestic Utiliz- ation	Socialist Export- Import Growth Differential %		Foreign Trade Balance		Net Indebtedness
	Growth Rate %		Current Prices	Constant Prices	Socialist	Non- Socialist	Billions of Dollars
Czechoslovakia (Millions of Foreign Exchange crowns)							
1978	105.5	102.7	-1.4	2.5	-2,149	-2,316	2.5
1979	101.8	101.1	-1.5	1.1	-3,028	-2,576	3.1
1980	101.4	102.7	3.6	0.1	-1,415	38	3.6
1981	95.4	96.6	2.0	7.1	- 452	1,865	3.5
1982	97.7	98.4	-2.1	3.1	-1,814	2,951	3.4
1983	100.5	100.6	-2.9	3.3	-4,073	4,899	3.0
1984	95.8	101.2	-0.3	...	-4,791	5,284	2.5
1985	105.4	103.2	0.3	...	-4,833	4,928	2.5
Poland (Millions of Foreign Exchange zlotys)							
1978	102.1	100.5	1.9	3.5	- 269.3	-5,984.1	17.9
1979	92.1	96.3	5.1	7.9	1,087.0	-5,212.3	22.6
1980	87.7	94.0	-15.0	-11.9	-3,390.4	-2,999.9	22.8
1981					-7,568.5	85.0	
Poland (Millions of zlotys)							
1981	77.7	89.5	-13.9	-10.7	-119,259	2,021	24.0
1982	87.9	89.5	20.3	22.2	- 40,197	122,451	25.0
1983	109.4	105.6	0.8	3.9	- 41,463	131,437	25.2
1984	111.4	105.0	- 0.1	0.8	- 51,607	178,037	25.5
1985	106.0	103.8	3.4	3.5	- 41,267	137,372	28.1

Source: national statistical yearbooks and WIIW data.

level of indebtedness. Three years were needed in the GDR to substantially reduce that country's indebtedness.

Regarding trade within the socialist bloc, the reduction of investments and the retardation of growth was insufficient to wipe out deficits in Bulgaria, Czechoslovakia, Poland and Hungary. The trading posture of all countries deteriorated vis-a-vis the Soviet Union. Deteriorated exchange ratios weakened Bulgaria's trade at a rate of 27 percent between 1978 and 1984, Czechoslovakia experienced a 17 percent deterioration between 1978 and 1983, and Poland suffered at the rate of 13 percent

between 1978 and 1983. Hungary's exchange ratios in trade payable in rubles deteriorated by 14 percent between 1978 and 1984.

In terms of Soviet trade with other CEMA countries, the Soviet Union's trading posture improved between 1978 and 1984 by 33 percent due to exchange rate variations. In most years the difference between Soviet exports to the socialist bloc on the one hand, and the growth rate of the real value of imports on the other, was much larger than between Soviet exports and the rate of growth at current prices. This means that the "proceeds" accumulated [in the small CEMA countries] as a result of economic restraint were "consumed" by the "export

Table 4B.

Increased Investment and its Effect on the Foreign Trade Balance  
and on Indebtedness in Hungary

Year	Invest- ment	Domestic Utiliz- ation	Socialist Export- Import Growth Differential %		Foreign Trade Balance (Millions of Foreign Exchange forints)		Net Indebtedness
	Growth Rate %	Rate	Current Prices	Constant Prices	Ruble Settlement	Non-Ruble Settlement	Billions of Dollars
1978	105.0	110.0	-9.7	-7.3	-17,056	-42,788	5.2
1979	101.0	94.5	2.2	4.2	-14,720	-10,278	6.3
1980	94.2	98.2	-2.1	-1.2	-17,262	- 914	6.7
1981	94.9	100.7	3.6	7.3	-13,952	1,075	6.9
1982	97.8	98.9	-3.0	0.5	-18,301	19,681	6.6
1983	97.3	97.3	3.6	6.2	-14,609	27,794	5.9
1984	97.1	99.4	5.5	7.5	- 6,333	35,219	5.1
1985	97.7	99.4	7.4	8.7	- 8,790	5,683	6.2

Source: Hungarian statistical yearbooks and WIIW data bank.

surplus" calculated at unchanged prices. These "proceeds" were supposed to offset trade losses suffered as a result of changing exchange rates. At the same time, at current prices the deficit remained unchanged and indebtedness to the Soviet Union increased.

that measure failed to relax tensions experienced in foreign trade and thus failed to permit the evolution of conditions for an upswing. These two factors are: debt service and the loss on exchange ratios. Instead of a decline lasting one or two years, a relatively long period of depression took shape in Czechoslovakia, Poland, Hungary and Romania.

Summarizing the above: two factors contributed to the fact that after a year or two of restrained investments,

Table 4C.

Increased Investment and its Effect on the Foreign Trade Balance  
and on Indebtedness Bulgaria

Year	Invest- ment	Domestic Utiliz- ation	Ruble Settlement Export-Import Growth Differential %		Foreign Trade Balance (Millions of leva)		Net Indebtedness Billions of Dollars
	Growth Rate %	Rate	Current Prices	Constant Prices	Socialist	Non- Socialist	
1978	100.6	100.2	-5.3	-0.8	-283.6	132.3	3.7
1979	97.8	103.5	0.8	6.1	-265.4	568.8	3.7
1980	107.5	105.1	1.1	6.7	-228.9	847.7	2.7
1981	110.5	107.7	-6.9	4.6	-698.0	600.4	2.1
1982	103.6	101.9	1.2	11.0	-705.5	609.6	1.9
1983	100.7	101.2	3.6	4.0	-517.4	368.9	1.7
1984	100.3	105.2	1.2	3.8	-449.8	594.8	1.4
1985	108.6	102.3	2.3	-1.6	-247.2	- 79.9	1.9

Source: Bulgarian statistical yearbooks and WIIW data bank.

### Background of Decline and Depression

As demonstrated, the decline that became a reality in the late 1970's and in the early 1980's was a result in part of the investment upswing that took place in the early- and mid-seventies, and in part of the effects of oil crises, price explosions, and of a recession in Western export markets. The recession that became a general phenomenon in the early 1980's was due to debt service in the Western context, and to losses due to exchange rate deteriorations in the Soviet context. Taken together, all this means that the "classic" cyclical decline was coupled with some other effects.

Before continuing, it would be appropriate to remind the reader that the decline was not limited to investments. It can be well demonstrated that investment fluctuations exerted their effects beyond industrial and construction industry production, and beyond national income and agriculture. This does not mean, however, that investment fluctuation is the cause, and that the movement of other variables is the effect. One must take into consideration the fact that even though in earlier days investments fluctuated alongside a relatively even growth pattern manifested in terms of national income, industrial production and other variables, in recent years most countries (the GDR being the exception) experienced substantial fluctuations in the above-listed indexes. Viewed from another angle, while in earlier days investments and other variables fluctuated around a clearly positive average growth rate, in recent years the center around which fluctuation took place was a growth rate close to zero.

Countries which endeavored to lessen the tensions created by their foreign trade balances and balance of payments, had to do more than simply achieve a state of having a multi-year export surplus in their capitalist trade liaisons. They were supposed to achieve and maintain an export surplus under conditions when exchange ratios deteriorated, and in times when the quantity of imports from the Soviet Union stagnated or diminished. The stagnation and reduction in imports from capitalist nations was caused by the shortage of convertible foreign exchange. In contrast, the stagnation or reduction in imports from the Soviet Union was caused by a slowdown of Soviet export industries, most prominently the slowdown in production growth within the raw materials and energy producing sectors of Soviet industry. The rapid, and at the same time raw material- and energy-intensive industrial growth of the Soviet Union and of the six small East European countries consumed the relatively cheap energy and raw material reserves. Understandably, the Soviet government endeavored to defray the high cost of new energy resource and raw material exploration in part through payments received from the six small East European countries in the form of price increases (which, in part, were based on modifications of CEMA pricing principles), and in the form of investment contributions. In addition to this, the Soviet leadership was forced to

export a larger share of its products outside of CEMA. Despite expressed endeavors by the Soviet government, processed industrial goods did not assume the export role previously played by Soviet raw material and energy resource deliveries, due to qualitative and state of the art problems. At the same time, the small CEMA countries were unable to replace Soviet-origin imports with Western imports, because as a result of the two oil price explosions, these countries were unable to pay in convertible currencies for the import of raw materials and energy resources. The convertible currency income they derived from the exportation of finished products was insufficient to make such payments.

Table 5 demonstrates how Soviet exports to CEMA countries broadened during the 1960's and 1970's, prompting a continuation of the waste of raw materials and energy. During the first half of the 1970's Bulgaria, Czechoslovakia and Hungary showed a faster rate of increase in the quantity of socialist (decisively Soviet) imports than in industrial production or national income. Poland was the only exception. Rapid growth in Poland was substantially founded on imports from the West. (Such data are unavailable in regards to the GDR and Romania.) The slowing down of the growth of imports toward the end of the 1970's, and the reduction of imports in the early 1980's actually brought to a halt Czechoslovakian economic growth, and played a decisive role in slowing down growth in other countries also.

A fundamentally new situation presented itself as contrasted to what these countries were accustomed to in previous decades. In the course of "socialist industrialization," supplemental labor and capital was drawn into production; productivity and the efficiency rate of fixed assets increased (although the latter increases frequently remained in the form of intents only). It seemed that the material resources necessary to sustain such growth were available in the long-term also; in other words, it seemed that given the appropriate conditions for exchange, the material resources may be obtained in lieu of finished products manufactured with those resources. (Regarding trade with the Soviet Union, my understanding of the term "appropriate conditions for exchange" includes price ratios between exported and imported products, and, in addition, an appropriate export and import ratio for "hard" and "soft" products, as well as the existence or nonexistence of investment contributions.) More accurately stated: the small countries were able to convert Soviet raw material and energy resource imports into mass products by adding domestic labor to the imported commodities, then selling the resultant products in the West or on the domestic market. Or in the reverse: by importing semi-finished goods and machinery from the West, then using these for the production of finished goods, to be sold in the Soviet Union, domestically as well as in the West. Either way, it seemed that the average income derived from exports would, in a few years, cover the imports. During the 1970's, however, the new conditions for trade raised CEMA doubts as to whether the member countries would be able to pay for

Table 5.

Soviet Exports to CEMA Countries and their Effect  
on Economic Growth  
(Average Annual Increments in Percentages)  
(All Export and Import Data Expressed in Volume)

Description	1966- 1970	1971- 1975	1976- 1980	1981- 1985	1981- 1982	1983- 1985
Soviet Union						
Industrial Production	8.4	7.4	4.5	3.7	3.3	4.2
Exploration Industry	5.1	4.7	1.9	1.6	1.0	1.9
Processing Industry	8.9	7.7	4.7	3.9	3.4	4.2
Export	10.0	7.1	4.7	1.9	3.5	0.4
CEMA Export	11.1	7.4	4.7	0.2	-2.0	1.4
Bulgaria						
Socialist Import		13.1	4.6	2.7	2.1	5.4
Non-socialist Import		17.9	-0.5	10.4a	18.7	2.6a
Industrial Production	10.1	8.4	6.0	4.3	4.7	3.9
National Income	8.7	7.8	6.1	3.7	4.6	3.1
Czechoslovakia						
Socialist Import	5.3	7.7	4.0	-0.6b	-1.6	1.4b
Non-socialist Import	6.6	3.8	0.0	-3.0	-6.2	3.7
Industrial Production	6.8	6.7	5.0	2.7	1.6	3.4
National Income	6.9	5.7	4.1	2.9	0.1	4.1
Poland						
Socialist Import		8.2	5.5	1.1	- 5.9	6.0
Non-socialist Import		26.9	-2.9	-7.6	-28.0	9.1
Industrial Production	8.3	10.4	4.7	0.1	- 6.4	5.3
National Income	6.0	9.8	1.2	-0.8	- 8.8	5.0
Hungary						
Ruble Import		9.5	3.1	0.0	- 0.3	0.2
Non-ruble Import		4.4	4.7	2.0	0.6	3.0
Industrial Production	6.3	6.4	3.4	2.6	2.7	1.9
National Income	6.8	6.2	3.2	1.3	2.5	0.4
German Democratic Republic						
Industrial Production	6.5	6.5	4.9	4.1	3.9	4.3
National Income	5.2	5.4	4.3	4.5	3.7	5.1
Romania						
Industrial Production	11.8	13.0	9.5	3.8b	1.8	5.7b
National Income	7.7	11.3	6.4	4.1b	2.4	5.7b

a = to 1984

b = to 1983

Source: national statistical and foreign trade yearbooks and WIIW data bank.

supplemental raw material, energy resource and semi-finished product imports out of income derived from the exportation of finished products manufactured through the use of the imported commodities and products. This concern emerged both in the Soviet and the Western context. (In the event that international payments would have to be balanced, these countries would be forced to attempt the achievement of such balance at the cost of a declining standard of living, a deterioration of the infrastructure, and the serious neglect of environmental considerations.)

It is worth recalling that almost two decades ago Ferenc Janossy predicted the possible evolution of a situation like this: "... the importation requirements of simple reproduction consume the total volume of the export capacity, so much so, that no funds derived from exports remain available to permit further development" (BR 7 at 813.1). In his article Janossy appropriately perceived a "foreign trade loop." Indeed, in a certain sense, as of today the effective limitation on growth is no longer the function of the available quantity of capital and labor. In some East European countries great capacities remain unused, because the amounts they could receive for their products are insufficient to cover the costs of raw materials and energy resources required for production. Occupational difficulties emerged in Poland, Hungary and Romania, and most certainly in other countries also (while a majority of the enterprises continue to struggle with a shortage of labor). Productivity of labor and the effective utilization of the means of production were once the central, determinants in judging the efficacy of the people's economy. The efficacy of transformation to export and import production have now replaced the earlier criteria in small East European countries.

All this indicates that the future does not offer a realistic foundation for the raw material- and energy-intensive growth pursued in the fifties, sixties and seventies. The recognition of this fact is reflected in the way reductions in material-specific and energy resource-specific utilization became central issues in the 1981-1985 and the 1986-1990 five year plans of certain countries. The GDR requires specific reductions in material utilization at an annual rate of 5 percent, in Czechoslovakia the rate was 2 percent for the period 1981-1985 (except 5 percent with respect to metal usage). (Czechoslovakia achieved an actual reduction in materials usage of 1.2 percent (BR 24).) It is yet another matter that from the standpoint of East European small countries an increase of exports spearheaded by CEMA no longer has a basis in reality. (Thus far, there is no indication of this recognition in the context of announced economic policies.)

#### **Certain Consequences of Restrictions on Investment and Imports**

The restraint of investments affected both the start and the completion of investments. Table 6 indicates that investment starts were substantially restrained in Czechoslovakia between 1980 and 1981, and in Poland

between 1979 and 1981. The level of investment starts remained below the 1979 and 1980 levels respectively, even after a minor economic recovery. Also in Hungary the number of investment starts decreased between 1978 and 1980, then picked up again in 1980-1981, just to decline once again in 1983, in response to stringent import restriction invoked as a result of the liquidity crisis. Under policies of "invigoration" they once again picked up in 1985.

In Czechoslovakia the restraint on investment starts proved to be effective, even though investment volumes were barely reduced in 1981-1982, and again in 1984. For this reason the restrictions reduced the scattering of investments. This was an expressed goal of the 1981-1985 five year plan, and of the 1981, 1982 and 1983 annual plans (BR 25). Nevertheless, as pointed out by the chairman of the [Czechoslovakian] planning office, "... the improvement fell short of the levels provided in the seventh 5-year plan" (BR 18).

In Poland as well as in Hungary completed investments declined far more than in Czechoslovakia, and the scattering of investments in these years increased. Although in Poland the combined total of all ongoing investments (as measured by the cost projections of individual investments, but with current price data deflated pursuant to the price index of socialist sector investments) decreased by more than 20 percent during the five year period, and the completion of investments (at the same establishments) had to be restrained to an even greater extent during the first two years. As a result, the scattering of investment increased by more than 40 percent. The [Polish] Consultative Economic Council criticized the government for failing to cancel major investments in the early 1980's in the interest of restoring the balance of the people's economy (BR 11). The increased scattering of investments was followed by a reduced rate of scattering in the ensuing three-year period, but this happened only because the volume of investments increased at a rate faster than planned.

In Hungary the combined total of investments in progress narrowed down only to a small extent in 1980-1981 and in 1983-1984. On the other hand, the volume of investments decreased year after year. The scattering of investments increased as a result.

We have made reference to comments made by the [Polish] Consultative Economic Council. The Council recommended the cancellation of a significant part of the major investments inherited from the 1970's in order to make available resources for small investments within the processing industry. The Council's 1982 economic report states that "... financial means and investment capacities continue to be tied down in earlier investments, the completions of which progress at a snail's pace. This fact raises the threat that there will not be

Table 6.

Investment Starts (Variations in Combined Total Projected Cost of all Investments Started, as Compared to the Previous Year - in percentages)		
Year	At Current Prices	Deflated by the Investment Price Index
Czechoslovakia		
1978	98.5	98.5
1979	113.6	113.5
1980	87.0	87.0
1981	72.0	71.7
1982	108.9	101.9
1983	117.0	116.1
1984	116.0	106.8
1985	107.6	107.7
Poland		
1979	86.3	83.6
1980	58.5	54.2
1981	64.5	63.4
1982	476.4	194.0
1983	115.6	102.3
1984	114.8	98.9
Hungary		
1978	83.4	80.8
1979	87.6	85.8
1980	97.6	98.0
1981	172.7	167.3
1982	106.6	101.6
1983	53.2	50.0
1984	115.4	109.7
1985	151.1	143.8

Source: national statistical yearbooks.

sufficient resources left for the modernization of obsolete equipment, or even for the replacement of such equipment, and thus the technological gap between [Poland] and the developed nations will be on the increase" (BR 11).

Although limited investment starts in part enabled a reduction in investment commitments and in ongoing

investments, thus alleviating the effects of scattering, in part they also delayed the modernization of fixed assets and thus undermined the competitiveness of the exporting sectors. The Polish economists' view is supported by the fact that investments within the processing industry showed a particularly significant decline. (See Table 8.)

Import restrictions (forced import substitutions) had an adverse effect on the competitiveness of [Polish] exports

Table 7.

Scattering of Investments  
(Annual Changes Deflated by the Investment Price Index -  
in percentages)

Year	Total Projected Cost of On-Going Investments	Investment Fulfillment	Variations in Scattering*
Czechoslovakia			
1978	105.4	110.0	95.8
1979	112.2	103.2	108.7
1980	103.2	103.5	99.7
1981	90.9	94.4	96.3
1982	94.9	97.3	97.6
1983	98.3	101.5	96.8
1984	96.4	93.8	106.6
1985	100.2	97.7	102.5
Poland			
1979	103.8	88.0	118.0
1980	98.9	85.5	130.5
1981	96.0	75.8	126.6
1982	85.8	96.2	89.2
1983	97.5	109.8	88.8
1984	98.3	113.4	87.6
1985	106.8	106.0	100.8
Hungary			
1978	97.3	105.5	92.2
1979	95.3	101.1	94.3
1980	92.2	93.3	98.8
1981	96.9	93.7	103.4
1982	107.1	96.9	110.5
1983	88.9	95.1	93.5
1984	92.0	94.8	97.0
1985	104.3	97.7	106.7

\* The quotient of the "Total Projected Cost of On-going Investments" and of "Investment Fulfillments".

Source: national statistical yearbooks.

in the sense that the restrictions limited the use of imported parts and components.

During these years the competitiveness of East European countries in Western markets deteriorated further. While production plans were fulfilled most of the time

and were exceeded frequently, time these plans fell short of exporting plans to capitalist countries in most instances. This was pointed out repeatedly in Czechoslovakia by Minister President Lubomir Strougal: "Most certainly there will be deviations from the objectives of the seventh 5-year plan, particularly in exports destined to

Table 8.

Investment Decline per People's Economy and  
Industrial Branches  
(in percentages)

People's Economy and Industrial Branches	Czecho- slovakia 1982	Poland 1983	Hungary 1982
1978 = 100			
People's Economy	103.4	60.3	88.3
Industry	111.2	48.7	80.1
Base Material Industry		76.3	
Processing Industry		43.9	
Heating Material Industry	140.9	75.4	
Mining			108.2
Electrical Energy	116.3		109.0
Foundry Works	66.5	15.2	79.4
Machine Industry	73.1	46.7	69.4
Chemical Industry	138.0	49.0	81.1
Light Industry	74.5	50.4	81.9
Food Industry	91.4	65.7	59.3
Agriculture	108.2	61.4	93.6

Source: national statistical yearbooks.

non-socialist countries. Rather than achieving a projected annual increase of 7 percent, this kind of export essentially stagnates, instead of manifesting growth" (BR 23). An identical theme was emphasized by [Czechoslovakian] planning office chairman Svatopluc Potac. Potac viewed the insufficiency of fulfilling the export plan at current prices as the chief problem: Czechoslovakian export prices dropped to a greater degree than the prices of competitors, and thus the exchange ratios have deteriorated (BR 18).

The export share of industrial production increased at a rate slower than planned in Poland also, and the efficiency of exports declined (BR 15). Prime minister Jaruzelski characterized the export shortfall in the non-socialist relation as the weak point in the fulfillment of Poland's 1984 plan (BR 8). Hungarian export plans involving capitalist countries usually remained unfulfilled.

The deteriorating competitiveness of small CEMA country exports which was prompted among other factors by restrictions on investments and imports, further limited

the possibility of importing raw materials, semi-finished goods and machinery. There evolved a positive feedback with a downward trend in this respect, and this deepened the crisis.

In times when governments throughout East Europe tried to restore the external balance by reducing domestic utilization, and restrained the growth of investment in order to reduce utilization, as a balancing factor they also limited consumption. In a majority of the countries, the first category of products affected by import restrictions were consumer goods. But domestic consumption was struck even stronger by the forced exportation of consumer goods (including food products).

Table 1 indicates that in the cases of Czechoslovakia and Hungary, the model cycle was rather clearly foreign trade-symmetric. Together with the halt in investments, the increase of real wages stopped also, alternatively, real wages declined. At the same time, however, in both countries the reduction in real wages and in consumption was far smaller than the reduction in investments.



Somewhat less clearly, but a similar trend evolved in Poland, where the reduction in real wages was concentrated in 1982, and even in the GDR, where the increase of real income showed a significant slowdown during the years when investments were reduced. [In the absence of real wage data,] indexes showing the reduction in real income permit us to assume that also real wages were reduced or were stagnating. (GDR indexes showed low levels in the standard of living, comparable only to pre-1962-1963 data.)

Indexes like the real wage index and the consumption volume index only partially reflect deteriorations in the standard of living which took place as a consequence of restricted imports and forced exports. These indexes do not reveal anything about the standard of domestic supplies. The fact is, however, that in the late 1970's and early 1980's domestic supplies have substantially deteriorated in a majority of the countries. In Czechoslovakia and in the GDR there was an unprecedented abundance of supply during the first half of the 1970's. One could sense the deterioration by the end of the decade: shops no longer carried imported products, etc. Food supplies in these countries remained stable. In conjunction with forced exports, a coupon system was introduced in Poland and in Romania for the distribution of important food products. Bulgaria and Hungary were able to more or less preserve the earlier standards of the consumer market, but a price had to be paid. That price manifested itself in accelerating price increases. (We should note that the increase in consumer prices has accelerated in every country.)

### Invigoration

As a result of years of restrained investments, each country accumulated a number of unfulfilled investment needs. To a certain extent, Czechoslovakian central authorities succeeded in circumscribing the "investment front," yet the enterprises awaited only the first favorable signal before they went on to press for the inclusion of their respective investment projects into the plan. Once given the opportunity, in 1981-1982 Hungarian investors [enterprises proposing investments] succeeded in launching many investment starts, and prepared to maximize their spending on investments. In Poland, industrial interest groups succeeded to block the cancellation or disruption of most investments inherited from the 1970's, and thus the decision-makers faced the pressure of greatly inflated investment commitments.

Resistance manifested by the enterprises during the years of restraint was not unsuccessful either. In Czechoslovakia they exceeded the investment volume quota projection contained in the annual plans of 1982, 1983 and 1984, and also exceeded the projected 5-year plan (BR 23, 26). (Footnote 4) (Investments during the plan period were supposed to fall short by 10 percent of the investment levels stipulated in the previous five year plan. Instead the shortfall amounted to only 2 percent (BR 27).) The Hungarian investment plan was exceeded

each year between 1981 and 1984 (BR 10). In 1983 Polish investments increased faster than planned. According to the plan report, the projected investment level was exceeded by 16 percent.

Restraints did produce certain results after a few years. The indebtedness of Bulgaria, Czechoslovakia, Hungary, the GDR and Romania was reduced as a result of several consecutive annual positive trade balances in the non-socialist liaison, and Poland's indebtedness was stabilized. Consumer price increases contributed to measurable improvements in Czechoslovakian and Polish food supplies.

This made it more difficult for the central organs to resist growing pressures exerted by enterprises and industry interest groups. Central organs in Poland felt the sustained pressure already in 1982 (BR 9). The chief endeavor of enterprises was to continue the investments which should have been cancelled or disrupted according to the plan. (Footnote 5) ("Fulfillment of the investment plan was at a particularly high level regarding a number of projects, which included some that were supposed to be slowed down" (BR 16).) The government accepted the substance of arguments advanced by industry, (Footnote 6) ("In a number of instances these arguments are supported by real needs" (BR 9),) and in practice, beginning in 1983 they abandoned the idea of reviewing investments. The [Polish] Consultative Economic Council complained about such reviews (BR 12) by saying that government functionaries felt that "... it was unwarranted to discontinue or to disrupt more investments in progress," because discontinuation or disruption would endanger the realization of important economic policy goals with respect to food supplies, energetics and residential construction (BR 5).

Czechoslovakian investment needs were once again voiced in the middle 1980's in the process of the new five year plan preparation. A RUDE PRAVO editorial voiced the opinion that "... in resolving the problems of the eighth 5-year plan the old methods continue to prevail.... These old methods ... represent an attitude by which caution is exercised in the assignment of tasks, but at the same time excessive demands for resources are being established.... New investment needs are beyond the realm of possibilities so far as the people's economy is concerned...." (BR 20). The chairman of the [Czechoslovakian] state planning committee spoke of "... requirements aiming for new investments which are concentrated within the final year of the seventh 5-year plan" (BR 19). According to an executive at the planning committee "... there is general pressure to start and to approve new investments that go beyond the plan," and which lead to a situation in which the annual plan quotas for new investment starts will be exceeded (BR 26, p 43). According to one deputy president they intended to increase the number of investment starts by 50 percent in 1985, as compared to "what is feasible" (BR 27). As Karel Rybníkar, another executive of the [Czechoslovakian] planning committee pointed out regarding the

Table 9.

Planned and Actual Investment Growth (in percentages)									
Description	1978	1979	1980	1981	1982	1983	1984	1985	1986
Czechoslovakia									
Planned	6.6	2.9	2.4	0.0	- 3.3	- 2.3	0.0	2.0	0.0
Actual (a)				- 1.9	- 1.1	2.2	4.1	6.5	
Actual (b)	4.1	1.8	1.4	- 4.6	- 2.3	0.5	- 4.2	5.4	
Poland									
Planned		-10	- 8.1	-15	- 2.7	1.6	0.9	0	6
Actual (a)				-19		4.8	10	5	
Actual (b)	2.1	- 7.9	-12.3	-22.3	-12.1	9.4	11.4	6.0	
Hungary									
Planned	- 2.5	1.4	- 4.3	- 5.8	- 5.9	-10.0	-12.1	- 0.2	0
Actual	5.5	1.1	- 6.3	- 6.3	- 3.1	- 4.9	- 5.2	- 5	
Romania									
Planned	16.8	9.1	4.9	9.2	5.0	0.7	4.0	8.3	6-8
Actual (a)		5.1	3.1	- 6.7	- 2.5	2.9	6.1	1.6	
Actual (b)	16.0	4.1	3.0	- 7.1	- 3.1	2.4			

(a) According to plan reports which are assumed to be consistent with plan projections.

(b) Total people's economy, according to the statistical yearbook.

Source: published plans, plan reports, national statistical yearbooks.

1986-1990 five year plan: "Insofar as plan proposals advanced by the ministries are concerned, they exceed by 80 percent the levels deemed feasible from the standpoint of the people's economy" (BR 20).

As a result of all this, endeavors to reduce investment commitments did not materialize. Between early 1983 and the end of 1984 Polish investment commitments increased from 1.1 billion zlotys to 1.7 billion zlotys (BR 5). In Czechoslovakia, "... following the relatively favorable trend experienced between 1981 and 1983 ... events turned to the worse in 1984-1985. As a result of strong pressures favoring new investments, the seventh 5-year plan projections aimed at reducing the scattering of investments and at shortening the time required to complete investments will not be realized" (BR 26, p 36). The number of ongoing investments began to increase during the first half of 1985. In Hungary, the sudden increase in investment starts represented the first results of investment restraints; these were followed by economic invigoration in 1981-1982. Beginning in 1983, however, as discussed before, there once again were fewer investment starts.

After two years of stagnation, national income began to increase in Czechoslovakia. As pointed out by Janacek and Klacek (BR 6), this phenomenon appeared in conjunction with a slight expansion of Soviet heating material deliveries (also reflected in Table 5) and with two consecutive mild winters. The leadership was very satisfied with the acceleration of national income growth: "Above all, it was possible to sustain the continuity of economic development even under circumstances in which resources expanded at a moderate pace.... Industrial production goals projected in the plans were exceeded in each year. As a result of structural changes the relative size of the processing industry has increased, and raw material- and energy-intensive industry production stagnated, and was reduced in some instances...." (BR 23).

As the earlier quotation suggests, [Czechoslovakian Premier] Strougal himself acknowledged the fact that non-socialist exports fell short of the planned levels, and that investments as well as inventories increased faster than planned. Researchers added to this statement that "...

accelerated growth was accomplished mostly by extensive methods, i.e. mainly by increased energy and raw material utilization, and only to a lesser extent can the accomplishment be attributed to intensification.... It is mainly for this reason that one must exercise caution in judging the economic results of 1983-1984" (BR 6). Or: "... we must not perceive the 1983 acceleration as the result and evidence of economic adaptation to new conditions. It is much more likely that we are witnessing a phenomenon in which growth has reverted to traditional technological interrelationships of balance, which have prevailed already prior to 1981" (BR 4, pp 96-97).

The [Czechoslovakian] leadership nevertheless maintained its support of accelerated growth. According to the chairman of the planning committee "... these results proved that there is a realistic basis for the gradual acceleration of economic development.... There are no objective obstacles for a further strengthening of this trend in the coming year" (BR 27). Economic management was aware of the fact that more new investments were started in 1985 than during the average span of the five year plan. In other words, they knew that new starts had multiplied in spite of the fact that previously the scattering of investments had increased. Moreover, in viewing the year 1985 they counted on an increase in the investment volume which exceeded the spacing of investments projected in the five year plan (BR 19).

The positive growth rate achieved in Poland during 1983 and 1984 proved sufficient to spark increased pressure for more investments, and to weaken the opposition to such pressure. The chairman of the planning committee declared in the Sejm: "... considering the fact that we are far from realizing even the simple reproduction of fixed assets, as well as from satisfying the developmental needs related to the modernization of the economy ..., it does not appear as realistic to further restrict investments. In order to improve the investment situation we must proceed faster with the investments in progress" (BR 5).

This view took shape in a spectacular modification of the 1985 [Polish] plan. The first draft of the plan (Footnote 7) (TRYBUNA LUDU 26 July 1984) contained requirements for a 100 billion zloty reduction of investments. This would have corresponded to a net investment reduction of 8.3 percent. Upon reading about the intent of the authorities, a commentator of ZYCIE GOSPODARCZE remarked that in the previous year the fulfillment of the investment plan was exceeded, and the investment share of the available funds rose higher than projected in the 1983-1985 three year plan (BR 16).

The so-called "consultation with society" concerning Poland's 1985 plan, however, emerged as an appropriate forum for the struggle for investments. Characterizing the results of the consultation [Polish] prime minister Jaruzelski had this to say in the Sejm: "Considering the proposals advanced during the consultations we have taken off the agenda a conception, by which we would have reduced investments by 100 billion zlotys. Instead

of reducing investment allocations, we have accepted the idea of continuing to maintain investments at their 1984 level, which, in practice represents 180-200 billion additional zlotys" (BR 8). It is worth adding that even the 1984 investment fulfillment exceeded the planned levels.... The new five year plan for the period 1986-1990 includes plans to increase investment allocations from available funds.

The little we know about the functioning of the investment decision-making systems in Czechoslovakia and in Poland during the early 1980's, supports the belief that within the planning system there continue to prevail mechanisms which create investment tensions. Undoubtedly, the concerns which characterized the economies already prior to 1979 continue to survive.

In Hungary the CC congress' November 1984 guidelines proclaimed the a need to "boost economic development," through a moderate increase in investment allocation. The idea was approved by the 13th congress, and in its essence, it took shape in the seventh 5-year plan. According to the plan, reductions in investments and in real wages should have come to an end already in 1985. In 1985, however, there was a decline in Hungary's national income, which made a further reduction of investments unavoidable. Responding to the effects of the "boosting" policies, investments and real wages increased somewhat in 1986, while the national income stagnated. Correspondingly, Hungary's foreign trade balance deteriorated to an extent greater than in the previous year.

In the final pages of this article we were forced to limit our discussion to Czechoslovakia, Poland and Hungary, due to limited data available from other countries. At the same time, however, it is obvious that the well-known tensions of the investment process prevailed in the rest of the countries also. This is suggested for instance by the fact that in Romania the delayed operational readiness of new production capacities became the norm. While according to the plan between 1981 and 1984 in each year 750, 800, 484 and 480 large production facilities should have become operational, the actual figures show 560, 568, 470 and 448 operation facilities in each respective year. (This is based on publicly available plans and plan reports.) Repeated appeals by Bulgarian leaders to stimulate the "concentration of investments" suggest that tensions within the investment sphere continued to survive also in Bulgaria. It was never possible to achieve the planned reduction of incomplete investments as a whole. While the 1981-1985 [Bulgarian] five year plan called for an 80 percent reduction in the funding of incomplete investments (BR 28), and according to the 1984 plan the ratio should have been reduced by 8 percent (BR 3), in reality, during 1984, this ratio increased somewhat, and exceeded 100 percent.

Did cyclical fluctuations cease to exist under crisis conditions? We may summarize our analysis by saying that although a clear-cut four-phase cycle did not evolve thus far, most elements of the cyclical mechanism exerted their effects.

The moderate upswing in investments that was accomplished in individual countries in 1983-1984 or later, was fueled by the same mechanisms that encouraged the pre-1979 upswings. On the other hand, the decline differed from the earlier precedents, just as the depression that came between the decline and invigoration phases was different. The conditions of modified growth, which were frequently characterized as exogenous, disturbed the ability of the cyclical mechanism to prevail.

One may ask, however, whether the events that took place were indeed exogenous effects. These events include the effects of deteriorating exchange ratios in both the Soviet and the Western trade relationships of small CEMA countries, the changed conduct of Western creditors, the shrinking presence of raw material and energy resource supplies in CEMA markets, and the increasingly rigid conditions of quota trade. From the standpoint of the cyclical scheme they are indeed exogenous. From the standpoint of the system as a whole, however, they are not. The oil explosion in world markets and the short-term effects of that event upon exchange ratios relative to non-socialist trade were obviously independent from the East European economy. Nevertheless the fact that CEMA countries just barely adapted to the new conditions, and that as a result of this, the exchange ratios were allowed to further deteriorate, may be attributed to the economic mechanisms and to individual economic policies. This fact has been pointed out already by many.

From the viewpoint of individual small CEMA countries the change in trading conditions vis-a-vis the Soviet Union may appear as exogenous. These changes in conditions may be attributed to peculiarities that are characteristic of the system—peculiarities which stem from the economic growth of the CEMA bloc of nations, from their particular economic mechanisms and economic policy priorities. In part these were discussed in this article, in part they were assumed to be known. Accordingly, if one views the system as a whole, these factors were endogenous.

I am speaking of a crisis not because of the depth of the decline, not because of the protracted nature of depression, and not because the effects of all this has an impact on general living conditions (especially in Poland and Romania). It is justified to talk about a structural or a general crisis related to changes in the conditions of growth and to the effect of these changes on European and CEMA economies, if, and insofar as these countries do not manifest a preparedness and ability to make deep-seated changes in the economic mechanisms which would enable them to break through the barriers that stand in the way of growth.

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## POLAND

### Simplification of Laws Regulating Foreign Capital Urged

26000156a Warsaw TRYBUNA LUDU in Polish  
16-17 Jan 88 p 2

[Article by PAP: "Making Foreign Capital Investment More Attractive"]

[Text] On 15 January, a meeting of the Committee for Implementing the Economic Reform of the Council of Ministers devoted to undertaking and performing economic operations in our country with the participation of foreign capital was held. The committee reviewed the course of work on amending two laws regulating such issues. They are the law dated 6 July 1982 on the guidelines for economic operations in small-scale production on the territory of the PRL by foreign legal and physical persons and the law dated 23 April 1986 on companies with foreign participation. At the session, the committee considered an array of issues associated with the draft amendments being prepared, emphasizing both the need to speed up this work and to put in place the arrangements making commitment of foreign capital to economic operations in our country more attractive.

The committee acknowledged a trend towards more uniform conditions in which foreign enterprises and companies with foreign capital investment operate in Poland to be a positive change in legal provisions regulating the issues in question. With this in view, the committee also recommended that developing a single draft law regulating the matter in its entirety be continued.

The committee chaired by Deputy Prime Minister Zdzislaw Sadowski also reviewed a report on streamlining the procedure of setting up and registering companies with foreign participation submitted by the minister for economic cooperation with foreign countries. Certain measures aimed at simplifying and speeding up this procedure were proposed in the discussion. The committee expressed its concern about actions taken by some local organs of state administration which restrict the opportunity for developing economic enterprises with the investment of foreign capital by, among other things, creating problems in finding commercial space. With this in view, the committee recommended that these organs resolve matters of this nature in accordance with the interests of the national economy, which require that opportunities for foreign capital investment in our economic activity be greatly expanded.

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### Franchise Functions, Agreements Under Reform Conditions Altered

26000188b Warsaw *RZECZPOSPOLITA. REFORMA GOSPODARCZA* in Polish No 121, 21 Jan 88 pp 1, II

[Article by Adam Parzydel, chief specialist, Legal Office of Planning Commission, Council of Ministers: "Franchising and Agents Under New Rules"]

[Excerpts]

### Franchising and the Second Stage of the Economic Reform

In view of the aforementioned premises and the introduction of a new principle under the second stage of the economic reform, namely, the promotion of a resourceful spirit among the society, the "Theses on the Second Stage of the Economic Reform" (namely, Theses 58 and 131) state, "Conditions should be created for promoting forms of franchising in the operation of enterprises, especially as regards trade, dining establishments, small industry, and in part also construction and manufacturing."

During the discussion of the "Theses" the proposals contained in Theses 58 and 131 gained full acceptance and the recommendations offered went even farther than expected. It was proposed that the franchising system be also applied to industrial enterprises, i.e., that individuals should be entrusted with the management of departments, lacquer sections, shops, etc., in enterprises on the same principles as retail-trade franchisees. It was postulated that the government act as soon as possible to expand the scope of application of the franchising system.

To implement these recommendations, the first proposals for amending the aforementioned Resolution No 17 of 18 February 1983 of the Council of Ministers were drafted as early as in August 1987. Subsequently, on 19 December, after reaching a consensus on substantive and formal-legal aspects of the matter, the Council of Ministers adopted Resolution No 181 amending the resolution concerning general terms for agreements between corporate units of the socialized sector and individuals concerning the management of retail stores, dining establishments, service establishments, hotels, and tourist campgrounds (*MONITOR POLSKI*, Item 309, No 37, 1987). It introduced the following revisions of the franchising system defined by Resolution No 17, 1983, of the Council of Ministers:

—In accordance with the proposals offered, broadening of the scope of economic domains in which corporate units of the socialized sector may entrust their outlets to individuals on the basis of franchise agreements and consignment contracts. The amended text of Paragraph 1 of Resolution No 17/83 of the Council of Ministers is such that, in principle, units operating in any field of the economy can decide whether they want to manage their

outlets (or engage in their activities) on their own or franchise them to individuals, except when it comes to liquor retail stores and the kinds of activities which the unit is obligated to provide on its own as prescribed by separate regulations. The broadening of the scope of applicability of Resolution No 17/83 of the Council of Ministers has also necessitated changing the name of that resolution.

—Another and highly important change, which will of a certainty influence decisively the conduct of franchising activities in the national economy, is the introduction of a provision specifying that outlets employing not more than 50 persons at the time of or subsequent to their franchising can be franchised on the basis of a franchising agreement or a consignment agreement.

Compared with the previous employment limits for franchised outlets (4 employees in a retail sales outlet, five employees in a service establishment, 20 employees in a dining establishment), the new regulation is highly significant. Raising the maximum employment limit to 50 employees in franchised outlets is to some extent linked to the provisions of the Decree of 3 January 1946 on the Nationalization of the Principal Subsectors of the National Economy (DZ. U., Item 17, No 3, 1946, with subsequent revisions). Besides, the new limit of 50 employees was dictated by the consideration that franchised outlets should also be allowed to exist in industrial plants in which sections transferred to management by private persons usually require a larger number of employees than that specified by Resolution No 17/83 of the Council of Ministers. The new limit of 50 employees also is intended to meet the recommendations and opinions that outlets with such a size of workforce are, at the present stage of development of our economy, optimal for small-scale economic activities and at the same time can be operated in the nonsocialized sector as well.

—Another important change, introduced by Resolution No 181/87 of the Council of Ministers, is the rescinding of the provision, contained in Resolution No 17/83 of the Council of Ministers, that franchises for outlets engaging in purchases of goods of foreign origin and sales of clothing articles, footwear, leather haberdashery, vegetables, fruits, and flowers, as well as dining establishments and hotels, can be granted only on the basis of negotiations. Although at present negotiations are still optional, it is to be expected that they will become a prerequisite and thus objectivize the selection of prospective franchisees. Of course, this prerequisite cannot be applied in a situation in which there is only one applicant for a franchise, or when franchising a section of an enterprise is concerned and the employee(s) of that section is (are) the applicant(s) for the franchise.

—One consequence of the above changes is a new definition of the term "outlet." Henceforth this term shall be construed as a facility (a corpus of assets) designed to operate on a profit-making basis. Its nature

should be unambiguously defined in the franchise agreement or in the consignment agreement. Thus, e.g., an "outlet," as construed by the provisions of the decree, can be a sales pavillion, a booth in a large merchandising area, a shop in an industrial plant, a design bureau, a construction site, a pig pen on a farm, etc.

—The amending of the text of Point 1 in Paragraph 12 of the Supplement to Resolution No 17/83 of the Council of Ministers has resulted in broadening the franchisee's freedom to invest. Under the new regulations, the franchisee is authorized to also purchase fixed assets on his own behalf and with his own funds. This amendment is due to the realization that the franchisee can thus be enabled to expand and broaden the operations of his outlet above their level at the moment the franchise was granted to him.

—Still another change is the rescinding, in Paragraph 16 of the Supplement to Resolution No 17/83 of the Council of Ministers, of the provision specifying the proportion and elements of earnings that can be retained by the franchisee (and/or the purposes on which they may be spent). The purpose of this rescindment is to let this question be settled precisely in the agreement between the parties. These amendments also have resulted in scuttling the previous provision that the proportion of retained earnings or the amount of the fixed fee paid by the franchisee cannot be specified for a period longer than 1 year in the agreement. The existence of that provision in Resolution 17/83 of the Council of Ministers had been due to the need to protect the interests of the corporate franchisers in the presence of a constantly changing market-income situation (changes in prices, profit margins, etc.).

Now that Resolution 181/87 of the Council of Ministers has been promulgated, the proportion of retained earnings or the periodic fixed fee may be determined for whatever period the parties consider proper. The adoption of this solution represents, on the one hand, further implementation of the principle that the terms of the franchising agreement should be freely decided by the parties thereto and, on the other, an additional means of safeguarding the interests of the franchisees, meaning that persons who undertake to operate franchises—and who thereby normally abandon their customary occupations or professions, incur investment outlays, etc.—are thus provided with at least formal safeguards of a stable income from such operation over a period longer than 1 year. A consequence of this new provision was that it necessitated rescinding the last sentence of Point 1 of Paragraph 18 of the Supplement—a sentence which had specified that, in the absence of mutual consensus, either party to the agreement was free to terminate it upon giving a month's notice in the event of a major change in prices, profit margins, etc., necessitating a revision of the terms of the agreement specifying the proportion of retained earnings or the periodic fixed fee to be paid by

the franchisee. Henceforth it is the parties themselves to the agreement that will specify in it the terms for its termination, unless otherwise specified by the Civil Law Code.

—The last of the changes introduced by Resolution 181/87 of the Council of Ministers is the rescinding of the highly particularized requirements for the collateral to be deposited by the franchisees. It specifies that henceforth such collateral may consist of a cash payment, a promissory note, or a savings bank book, singly or jointly, with the decision on the matter being left to the contracting parties.

The changes introduced by Resolution No 181 of 14 December 1987 of the Council of Ministers become effective only on 1 April 1988. Such a long period between the passage of the resolution and its effective date is due to the need to amend correspondingly the tax laws, because the applicable regulations are no longer adequate for safeguarding the fiscal interests of the state. It is to be hoped that the amended laws governing the franchising system shall produce the expected economic and also social effects. To facilitate the utilization of the provisions of the abovementioned resolutions, we publish today the text of Resolution No 17 of 18 February 1983 of the Council of Ministers (MONITOR POLSKI, Item 44, No 7) as incorporating the amendments introduced by Resolution No 181 of 14 December 1987 of the Council of Ministers (MONITOR POLSKI, Item 309, No 37).

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#### **Tax Relief for Socialized Sector of Economy Presented**

*26000188a Warsaw RZECZPOSPOLITA. REFORMA GOSPODARCZA in Polish No 121, 21 Jan 88, p 1*

[Article by Bronislaw Cias, secretary of state, Ministry of Finance: "[Corporate] Income Tax Relief"]

[Text] In the assessments of the performance of the income tax system in the socialized sector much attention is being devoted to income tax and its form and size. For income tax is a highly important instrument which not only meets fiscal ([state] budget) needs but also plays a major role in the division of income between the [state] budget and the enterprise and by the same token determines the liquid capital left to the enterprise and allocated for its own development as well as for its workforce.

It should be borne in mind that during the work on the principles of financial management at enterprises it was found that, given the broad application of contract prices and the introduction of the price-shaping turnover tax with fixed percentile rates, a progressive tax on a scale adapted to the level of actual profitability of the enterprise had to be introduced. This solution was prompted

by, among other things, [the need to restrict] the possibility of applying a uniform "profit-equalizing" tax scale and influencing the material cost of enterprises by "encouraging" them to increase it.

To alleviate financial burdens the system of income tax relief has been markedly expanded with the object of encouraging modernization and investment projects in specified directions and promoting production for export and high-quality production. At the same time a surcharge on profits in the case of unjustified costs and losses was introduced. Following the consideration of many proposals and complaints, of which the most important one concerned weakening the incentives for cost reduction, a proportional (linear) income tax on profits was introduced—initially 60 percent, and as of 1985 65 percent. At the same time, the system of tax credits and the tax surcharge on unjustified operating losses and costs were retained.

It should be worth considering that the new form of the so-called linear tax generally met with the approbation of enterprises, although we should not ignore criticisms expressed by, e.g., representatives of state and cooperative small-industry and trade enterprises, who continue to claim that a progressive income tax adapted to profitability level would be more appropriate for them.

Such criticisms, like besides the criticisms expressed by the enterprises which pay the highest income tax rate, 65 percent, concern the level (size) of the tax which, in their opinion, renders impossible achieving in full the principle of self-financing. The point is that there also exists a considerable number of enterprises which pay much less than 50 percent of their profits—i.e., below the limit that can be considered fair, so to speak—to the state budget. Thus, for example, in 1985 enterprises as a whole had paid in taxes more than 50 percent of their profits, whereas in 1987 they paid only 45 percent. This means that in addition to enterprises which are taxed 65 percent of their profits there are others which pay a tax of only 20 percent. This is due to their eligibility for income tax relief, a relief whose scope and size are being criticized not only by the concerned enterprises but also by individuals and groups responsible for the application of the economic reform.

The problem of taxing enterprises of the socialized sector is considered in "Theses for the Second Stage of the Economic Reform" and in the "Draft Implementation Program," some of whose revisions, relating to assumptions of fiscal policy and state budget for the year 1988, had to be introduced earlier. This also concerns income tax relief and its scope and extent. In this connection the Sejm's recommendations to the Council of Ministers during the amending of the 1987 Budget Decree should be borne in mind.

As published in this issue of the REFORMA GOSPO-DARCZA Supplement, the ordinance of the Council of Ministers concerning income tax relief, whose draft text

has been reviewed by the Committee for Implementing the Economic Reform under the Council of Ministers, allows for all the aspects of this matter, and hence also both the budget possibilities of the state and the financial situation of enterprises as well as the incentive nature of such tax relief, which is an integral part of the tax system. Major changes in the scope and extent of such tax relief may occur concurrently with a reduction in the taxation rates, but this is not feasible at present in view of the unbalanced state budget. The ordinance of the Council of Ministers concerns only the so-called systemic tax relief, but the basis on which it is limited also applies to individual relief granted pursuant to the Decree on the Taxation of Corporate Units in the Socialized Sector. These premises are incorporated in the 1988 draft state budget which specifies that tax payments by enterprises may not exceed 52 percent of their profits in the case of a 65-income tax rate.

The kinds of tax relief specified by the ordinance may be briefly elucidated as follows: —the provisions governing tax relief and contained in several different laws are codified; —the current level of tax relief for small-industry enterprises is retained; this concerns the tax relief regulated in the Ordinance of 25 October 1985 of the Council of Ministers Concerning the Reduction of Income Tax for Certain Socialized Corporate Small-Industry Units (DZ. U., Item 269, No 52, 1985, and Item 216, No 44, 1986); —the rights to tax relief of joint-stock companies in which the Treasury of State or corporate units of the socialized sector hold a share of more than 50 percent of founding capital are broadened; previously only some of these companies benefited from individual tax relief.

The principal reason for granting systemic income tax relief, which accounts for about one-half of the credit granted, shall continue to be export sales. The revisions of the rules for granting such relief consist in rescinding tax credit for increase in exports, reducing the concerned commodity groups to two, and reducing to some extent the tailoring of tax relief to the volume of exports. At the same time, to eliminate the zloty devaluation factor, tax relief will be computed according to the exchange rates of foreign currencies as of 1 January of the fiscal year. Instead of adjusting tax relief by the WF factor in order to promote improvements in export effectiveness, the amount of tax relief for exports eligible for extra payments will be reduced by 25 percent; this provision will become binding as of 1 July 1988, and it will not apply to commodities in the farm subsidy group pursuant to Resolution No 49/87 of 28 September 1987 of the Government Council on Improving the Economic Conditions for the Export of Agricultural Materials and Foods.

In the present structure of tax relief, tax credit granted for investments will be a major factor. Such credit, when granted for the implementation of investment projects, is chiefly intended to: —improve environmental protection and safety and hygiene of labor; —provide financial



assistance for the application of the achievements of science and technology ensuing from the implementation of government orders that concern particularly important tasks in science and technology; —increase exports as a result of the construction of new plants, separately from the aforementioned tax relief granted for exports.

Such tax credit may amount to 30 percent of investment outlays or up to 25 percent of the income tax due.

Tax relief for the manufacture of products certified by state quality labels "Q" and "I" is justified by the need to improve production quality. Such tax relief, which at present amounts to 6 percent for Q-label products and 3 percent for I-label products will be computed in percent of the volume of sales after deducting turnover tax. Such tax relief has been increased above the original premises, which should promote the further development of this economically necessary direction of action.

To satisfy the keen social demand for service industries, the provisions in question allow new and broad tax relief for consumer services and property security services. Such tax relief will amount to 6 percent of the volume of sales of services directly to the consumer, including warranty services. To enable corporate units also to avail themselves of these services, the new provisions specify 4-percent tax relief for such units. It ensues from the above that priority will be given to consumer services.

The previous scope and extent of tax relief for small industry are retained: small-industry enterprises can have their profits exempted from income tax if they implement projects consisting in the construction of: —small bakeries, pork-butcher shops, flour mills, and other food-industry plants that are directly linked to the servicing and supply of the consumer market and meeting the needs of agriculture; —fruit and vegetable processing plants and depots for the storage of fruits, vegetables, and forest crops; —consumer service establishments; —plants for the repair and maintenance of farm machinery and for the production of farm implements, as well as establishments providing services to agriculture; —building materials plants utilizing local raw materials as well as wastes or secondary materials; —plants for the production (recovery) of fertilizer lime.

The purpose of such tax relief is chiefly to promote the recovery of small-industry enterprises. In this connection, the profits of such enterprises may be exempted from taxation for a period of as many as 10 years beginning with the completion of the investment project, on condition that the amount of the tax relief be no greater than 50 percent of the investment outlays.

Noteworthy here is that, irrespective of the aforementioned tax relief, state-owned local small-industry enterprises, labor cooperatives and their unions, and artisan cooperatives are eligible for a 10-percent reduction in [income tax on] verified balance-sheet profits, while state enterprises for technical services to agriculture are eligible for a 7-percent tax relief.

Worth noting are the exemptions from income tax granted—in view of social objectives—to cooperatives of the blind as well as cooperatives of the disabled certified as protected labor establishments; the amounts they can retain owing to such exemptions are to be earmarked for the fund for the rehabilitation of the disabled.

The following kinds of tax relief are retained without change:

- a) for specialized corporate units of the socialized sector handling the procurements and processing of secondary raw materials, which are eligible for a 10-percent tax relief;
- b) for plants and factories which operate their own schools;
- c) for plants and factories manufacturing facilities, equipment, and personal gear for work protection.

As ensues from the above brief survey, as part of the implementation of the second stage of the economic reform, the new ordinance of the Council of Ministers on income tax relief brings into order the system of such relief by codifying it while at the same time allowing for preferences for the most important directions of action of corporate units as well as for the needs of the state budget. It should be added that the state and cooperative enterprises operating on the consumer market shall continue to benefit from income tax relief pursuant to the regulations heretofore in force.

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